

# OFFICIAL STATEMENT

## NEW ISSUE

**MOODY'S RATING: Aa2**  
**STANDARD & POOR'S RATING: AA+**  
(See "Bond Ratings" herein)

*In the opinion of Bond Counsel, assuming the accuracy of and compliance by the Town with its representations and covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended, (the "Code"), under existing statutes, interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; the Bonds are not "private activity bonds" and interest on the Bonds is not treated as a preference item for purposes of calculating of the Federal alternative minimum tax, but in the case of corporations a portion of such interest may be included in alternative minimum taxable income for purposes of computing any Federal alternative minimum tax; the Bonds are "qualified tax exempt obligations"; interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the Bonds is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. (See Appendix B – "Opinion of Bond Counsel and Tax Exemption" herein).*

## TOWN OF BRANFORD, CONNECTICUT

**\$4,100,000**

### **GENERAL OBLIGATION BONDS (BANK QUALIFIED) BOOK-ENTRY-ONLY**

**Dated: February 1, 2006**

**Due: February 1, as shown below**

The Bonds will be general obligations of the Town of Branford, Connecticut (the "Town") and the Town will pledge its full faith and credit to pay the principal and interest when due. (See "Security and Remedies" herein).

Interest on the Bonds will be payable on August 1, 2006 and semiannually thereafter on February 1 and August 1 in each year until maturity. The Bonds are issuable only as fully registered bonds, without coupons, and when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry only form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. So long as Cede & Co. is the Bondowner, as nominee of DTC, reference herein to the Bondowner or owners shall mean Cede & Co. as aforesaid, and shall not mean the beneficial owners (as described herein) of the Bonds. (See "Book-Entry Transfer System" herein).

**The Bonds are subject to optional redemption prior to maturity as described herein. (See "Optional Redemption" herein).**

The Certifying, Registrar, Transfer and Paying Agent for the Bonds will be U.S. Bank National Association, of Hartford, Connecticut.

### **MATURITIES SCHEDULE AND AMOUNTS**

Maturity	Amount	Interest Rate	Yield	CUSIP	Maturity	Amount	Interest Rate	Yield	CUSIP
2007	\$400,000	5.000%	3.050%	105385SX7	2015	\$375,000	3.600%	3.580%*	105385TF5
2008	275,000	3.500	3.140	105385SY5	2016	375,000	3.600	3.600	105385TG3
2009	275,000	3.750	3.160	105385SZ2	2017	275,000	3.625	3.650	105385TH1
2010	275,000	3.375	3.210	105385TA6	2018	275,000	3.625	3.700	105385TJ7
2011	275,000	3.375	3.280	105385TB4	2019	125,000	3.750	3.750	105385TK4
2012	275,000	3.500	3.360*	105385TC2	2020	75,000	3.750	3.800	105385TL2
2013	375,000	3.500	3.440*	105385TD0	2021	75,000	3.750	3.850	105385TM0
2014	375,000	3.500	3.500	105385TE8					

\* Priced assuming redemption on February 1, 2011; however any such redemption is at the election of the Town. (See "Optional Redemption" herein).

## UBS INVESTMENT BANK

*The Bonds are offered for delivery when, as and if issued, subject to the final approving opinion of Day, Berry & Howard LLP, Bond Counsel, Hartford, Connecticut. It is expected that delivery of the Bonds in definitive form will be made to The Depository Trust Company, New York, New York on or about February 7, 2006.*

**Dated: January 24, 2006**

No dealer, broker, salesman or other person has been authorized by the Town of Branford, Connecticut, to give any information or to make any representations, other than those contained in this Official Statement; and if given or made, such other information or representation must not be relied upon as having been authorized by the Town. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the Town from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness.

The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town since the date of this Official Statement.

Other than as to matters expressly set forth in Appendix A - Financial Statements herein, the independent auditors for the Town are not passing on or assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and make no representation that they have independently verified the same.

Other than as to matters expressly set forth in Appendix B - Opinion of Bond Counsel and Tax Exemption, Bond Counsel are not passing on and do not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and make no representation that they have independently verified the same.

Independent Bond and Investment Consultants LLC, the Town's Financial Advisor, has assisted the Town in the preparation of this Official Statement from sources supplied by Town officials and other sources. Independent Bond and Investment Consultants LLC does not assume responsibility for the adequacy or accuracy of the statements made herein and makes no representation that it has independently verified the same.

This Official Statement is in a form "deemed final" by the Town for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1), but is subject to revision or amendment.

The Town currently files its official statements for primary offerings with each of the nationally recognized securities repositories. The Town will enter into a Continuing Disclosure Agreement with respect to the Bonds, substantially in the form attached as Appendix C to this Official Statement (the "Continuing Disclosure Agreement for the Bonds"), to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2-12, (i) annual financial information and operating data, (ii) timely notice of the occurrence of certain material events with respect to the Bonds and (iii) timely notice of a failure by the Town to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement for Bonds.

**BOND COUNSEL**

**DAY, BERRY & HOWARD LLP**

Hartford, Connecticut  
(860) 275-0100

**INDEPENDENT FINANCIAL ADVISOR**

**INDEPENDENT BOND AND  
INVESTMENT CONSULTANTS LLC**

Madison, Connecticut  
(203) 245-8715

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## BOND SALE SUMMARY

The information in this Bond Sale Summary is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. The Official Statement speaks only as of its date and the information herein is subject to change.

<b>Date of Sale:</b>	Tuesday, January 24, 2006, at 11:00 A.M. (E.S.T.).
<b>Location of Sale:</b>	Office of the Director of Finance, Branford Town Hall, 1019 Main Street, Branford, Connecticut 06405.
<b>Issuer:</b>	Town of Branford, Connecticut (the "Town").
<b>Issue:</b>	\$4,100,000 General Obligation Bonds (the "Bonds").
<b>Dated Date:</b>	February 1, 2006.
<b>Interest Due:</b>	August 1, 2006 and semiannually thereafter on February 1 and August 1 in each year until maturity.
<b>Principal Due:</b>	Serial February 1, 2007 - 2021.
<b>Purpose and Authority:</b>	The Bonds are being issued to finance various projects undertaken by the Town and authorized by the Representative Town Meeting. (See "Authorization and Use of Proceeds" herein).
<b>Redemption:</b>	The Bonds are subject to redemption prior to maturity. (See "Optional Redemption" herein).
<b>Security:</b>	The Bonds will be general obligations of the Town of Branford, Connecticut, and the Town will pledge its full faith and credit to the payment of the principal of and interest on the Bonds when due.
<b>Credit Rating:</b>	The Town's current bond rating has recently been upgraded to "Aa2" from "Aa3" by Moody's Investors Service, Inc. ("Moody's") and has recently been reaffirmed as "AA+" by Standard and Poor's ("S&P"). (See "Ratings" herein).
<b>Basis of Award:</b>	Lowest True Interest Cost (TIC), as of the dated date.
<b>Tax Exemption:</b>	See Appendix B herein.
<b>Continuing Disclosure:</b>	See Appendix C herein.
<b>Bank Qualification:</b>	The Bonds SHALL BE designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.
<b>Certifying Bank Registrar, Transfer and Paying Agent:</b>	U.S. Bank National Association of Hartford, Connecticut.
<b>Legal Opinion:</b>	Day, Berry & Howard LLP, of Hartford, Connecticut will act as Bond Counsel.
<b>Delivery and Payment:</b>	It is expected that delivery of the Bonds in book-entry only form will be made on or about February 7, 2006, against payment in Federal Funds.
<b>Issuer Official:</b>	Questions regarding the Town and this Official Statement should be directed to James P. Finch, Director of Finance, 1019 Main Street, Branford, Connecticut 06405 - Telephone (203) 315-0663.

**OFFICIAL STATEMENT**  
**TOWN OF BRANFORD, CONNECTICUT**

**\$4,100,000**

**GENERAL OBLIGATION BONDS**

**INTRODUCTION**

This Official Statement, including the cover page and appendices, has been prepared by the Town of Branford, Connecticut (the "Town") with assistance from the financial advisor in connection with the issuance and sale of \$4,100,000 General Obligation Bonds (the "Bonds").

All quotations from and summaries and explanations of provisions of statutes, charters, or other laws and acts and proceedings of the Town contained herein do not purport to be complete and are qualified in their entirety by reference to the original official documents; and all references to the Bonds and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive forms of the Bonds and such proceedings.

The presentation of information is intended to show recent historical trends and is not intended to indicate future or continuing trends in the financial or other positions of the Town. Except for information expressly attributed to other sources, all financial and other information presented herein has been provided by the Town.

Bond Counsel are not passing upon and do not assume responsibility for the accuracy or adequacy of the statements made in this disclosure document (other than matters expressly set forth as their opinion) and they make no representation that they have independently verified the same.

**THE BONDS**

**Description of the Bonds**

The Bonds will be dated February 1, 2006, will mature in annual installments on February 1 in each of the years and in the principal amounts set forth on the cover page hereof. Interest on the Bonds will be payable semiannually on February 1 and August 1 in each year until maturity, commencing August 1, 2006. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months and will be payable to the registered owners of the Bonds as of the close of business on the fifteenth day of January and July in each year, or the preceding business day if the fifteenth is not a business day.

The Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof for any single maturity. A book-entry system will be employed evidencing ownership of the Bonds with transfers of ownership effected on the records of The Depository Trust Company, New York, New York ("DTC"), and its participants pursuant to rules and procedures established by DTC and its participants. (See "Book-Entry Transfer System" herein.) The Registrar, Certifying Agent, Transfer Agent and Paying Agent will be U.S. Bank National Association of Hartford, Connecticut. The legal opinion on the Bonds will be rendered by Day, Berry & Howard LLP, of Hartford, Connecticut. (See "Appendix B" herein). **The Bonds are subject to redemption prior to maturity as described herein. (See "Optional Redemption" herein.)**

**Optional Redemption**

The Bonds maturing on or before February 1, 2011 are not subject to redemption prior to maturity. The Bonds maturing on February 1, 2012 and thereafter are subject to redemption prior to maturity, at the option of the Town, on or after February 1, 2011, at any time in whole or in part and by lot within a maturity, in such amounts and in such order of maturity as the Town may determine, at the redemption price (expressed as a percentage of the par amount of Bonds to be redeemed) set forth in the following table, together with interest accrued and unpaid to the redemption date:

<u>Redemption Dates</u>	<u>Redemption Price</u>
February 1, 2011 and thereafter	100.0%

## Notice of Redemption

Notice of redemption shall be given by the Town or its agent by mailing a copy of the redemption notice by first-class mail at least thirty days prior to the date fixed for redemption to the registered owner of the Bonds designated for redemption in whole or in part at the address of such registered owner as the same shall last appear on the registration books for the Bonds. Failure to give such notice by mailing to any registered owner, or any defect therein, shall not affect the validity of the redemption of any other Bonds. Upon the giving of such notice, if such funds available solely for redemption are on deposit with the Paying Agent, the Bonds or portions thereof so called for redemption will cease to bear interest after the specified redemption date.

If less than all the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by lot in such manner as the Town in its discretion may determine; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or some multiple thereof and that, in selecting Bonds for redemption, each Bond shall be considered as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000.

The Town, so long as a book-entry system is used for the Bonds being called for redemption, will send any notice of redemption only to DTC (or a successor securities depository) or its nominee. Any failure of DTC to advise any DTC Participant or of any DTC Participant or Indirect Participant to notify any Indirect Participant or Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of such Bonds called for redemption. Redemption of portions of the Bonds of any maturity by the Town will reduce the outstanding principal amount of Bonds held by DTC. In such event it is the current practice of DTC to allocate by lot, through its book-entry system, among the interest held by DTC Participants in the Bonds to be redeemed, the interest to be reduced by such redemptions in accordance with its own rules or other agreements with DTC Participants. The DTC Participants and Indirect Participants may allocate reductions of the interests in the Bonds to be redeemed held by the Beneficial Owners. Any such allocation of interests in the Bonds to be redeemed will not be governed by the determination of the Town authorizing the issuance of the Bonds and will not be conducted by the Town, the Registrar or Paying Agent.

## Authorization and Use of Proceeds

### Authorization:

The Bonds are issued pursuant to Title 7 of the General Statutes of Connecticut, as amended, the Charter of the Town of Branford, and certain bond resolutions adopted by the Representative Town Meeting.

Use of Proceeds: Proceeds of the Bonds will be used as follows:

Project	Total Bond Authorization	Prior Financings	BANS Maturing February 7, 2006	The Bonds ( <i>This Issue</i> )	Authorized But Unissued
Tabor Drive Acquisition	\$ 2,500,000	\$ -0-	\$1,750,000	\$2,500,000	\$ -0-
Bender Property Acquisition	2,100,000	-0-	1,000,000	1,000,000	1,100,000 (1)
2004 Sanitary Sewer System Improvements and Rose Street Sanitary Sewer Projects (2)	9,380,000	7,577,287	855,000	300,000	1,502,713
Pine Orchard and Indian Neck Roof Repairs	<u>500,000</u>	<u>-0-</u>	<u>-0-</u>	<u>300,000</u>	<u>200,000</u>
Total	<u>\$14,480,000</u>	<u>\$7,577,287</u>	<u>\$3,605,000</u>	<u>\$4,100,000</u>	<u>\$2,802,713</u>

- (1) The balance of this authorization will be provided by a combination of State grants, and Branford Land Trust and the South Central Connecticut Regional Water Authority funding. The Town does not anticipate any future bonding against this authorization.
- (2) To date the Town has issued \$135,000 of general obligation bonds and \$7,442,287 of Interim Funding Obligations ("IFO") to finance the project. The Town anticipates utilizing the State of Connecticut Clean Water Fund Program for the balance of this authorization, which provides financial assistance through a combination of grants and loans bearing interest at a rate of 2% per annum. It is not anticipated that the project will qualify for Clean Water Fund program grants. (See "Clean Water Fund Program" herein).

## **School Projects**

The State of Connecticut provides proportional progress payments for eligible school construction expenses on projects approved after July 1, 1996. Debt Service reimbursement will continue under the prior program for all school projects approved prior to July 1, 1996. Under the prior program, the State will reimburse principal and interest cost for eligible school construction projects over the life of outstanding school bonds and the subsequent bond issues necessary to completely fund such school projects. Under the new program, the State will make proportional progress payments for eligible construction costs during construction. The Town's current school debt falls under the prior reimbursement program.

## **BOOK-ENTRY TRANSFER SYSTEM**

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds (the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity and interest rate of the Bonds in the aggregate principal amount of such maturity and interest rate, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Town as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on, and redemption premium, if any, with respect to the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent, or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Town or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Town may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been provided by DTC. The Town takes no responsibility for the accuracy thereof.

## **SECURITY AND REMEDIES**

The Bonds will be general obligations of the Town of Branford, Connecticut and the Town will pledge its full faith and credit to pay the principal of and interest on the Bonds when due. Unless paid from other sources, the Bonds are payable from general property tax revenues of the Town. The Town has the power under Connecticut General Statutes to levy ad valorem taxes on all taxable property in the Town without limit as to rate or amount, except as to certain classified property, such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income taxable at limited amounts. Under existing statutes, the State of Connecticut is obligated to pay the Town the amount of tax revenue which the Town would have received except for the limitation on its power to tax such dwelling houses.

Payment of the Bonds is not limited to property tax revenues or any other revenue source, but certain revenues of the Town may be restricted as to use and therefore may not be available to pay debt service on the Bonds.

There are no statutory provisions for priorities in the payment of general obligations of the Town. There are no statutory provisions for a lien on any portion of the tax levy or other revenues to secure the Bonds, or judgments thereon, in priority to other claims.

The Town is subject to suit on its general obligation bonds and notes and a court of competent jurisdiction has the power in appropriate proceedings to render a judgment against the Town. Courts of competent jurisdiction also have the power in appropriate proceedings to order payment of a judgment on such bonds or notes from funds lawfully available therefor or, in the absence thereof, to order the Town to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising their discretion as to whether to enter such an order, the courts may take into account all relevant factors, including the current operating needs of the Town and the availability and adequacy of other remedies.



Enforcement of a claim for payment of principal of or interest on such Bonds would also be subject to the applicable provisions of Federal bankruptcy laws as well as other bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion. Section 7-566 of the Connecticut General Statutes provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor. This prohibition applies to any town, city, borough, metropolitan district and any other political subdivision of the State having the power to levy taxes and issue bonds or other obligations.

**THE TOWN OF BRANFORD, CONNECTICUT HAS NEVER DEFAULTED IN THE PAYMENT OF PRINCIPAL OR INTEREST ON ITS BONDS OR NOTES.**

#### **QUALIFICATION FOR FINANCIAL INSTITUTIONS**

The Bonds **SHALL BE** designated as qualified tax exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended (the "Code"), for purposes of the deduction by financial institutions (as defined by Section 265 (b) of the Code) for interest expense allocable to the Bonds.

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## THE TOWN

Following in this Official Statement is a brief description of the Town, together with certain information concerning its economy, governmental organization, indebtedness, current major revenue sources, and general and specific funds.

### General Description

Settled in 1644 as part of the New Haven Colony, Branford was named in 1653, and adopted its first charter in 1958, amended most recently in 1991.

Branford is governed by a three member Board of Selectmen, with the First Selectman serving as the chief executive officer. The Town has a Selectmen/Board of Finance/Representative Town Meeting ("RTM") form of government.

The RTM is made up of 30 elected members representing five voting districts. The members of the RTM choose one of their members to be Moderator of the RTM, who presides over all its meetings.

The legislative power of the Town is vested in the RTM, except as otherwise provided for by the electors. The RTM has the power to enact, amend, or repeal ordinances not consistent with the Charter or the General Statutes of the State. The electors have the power to approve or reject an ordinance by referendum, as provided in the Charter. The Board of Finance prepares the annual budget for recommendation to the RTM and sets the mill rate, as prescribed by the Town Charter.

General Town elections are held on the first Tuesday after the first Monday in November of each odd numbered year to elect the Board of Selectmen, Town Treasurer, Town Clerk, Tax Collector, and members of the RTM. Their terms of office are for two years.

The Town's land area is 22 square miles, with more than 20 miles of shoreline along Long Island Sound. Located in the south central part of the state in New Haven County, Branford is approximately 90 miles east of Manhattan and 40 south of Hartford, the state capital. It is bound on the north by the Town of North Branford, east by the Town of East Haven, south by Long Island Sound, and west by the Town of Guilford.

Branford is an established, suburban residential community with an extensive, commercial, retail and modern industrial base. The 2000 U.S. Census reported the Town's population at 28,683.

The Town supports and encourages a balance of industrial, commercial and residential properties and the Town's Economic Development Commission and Planning and Zoning Commission work together towards that end, and often collaborate with the Branford Chamber of Commerce to continuously improve the Town's business climate.

The Town enjoys four direct points of access to Interstate 95. Route 1 (Boston Post Road) as well as State Routes (SR) 139, 142, and 146 (the latter also holding designation as a State Scenic Roadway) all go through Town. The I-95 junction with I-91 is minutes away in New Haven, less than ten miles from the Town green. Branford's stretch of Interstate 95 has recently been improved as part of the federally funded New Haven Harbor Corridor Project, providing wider lanes, new access ramps, and better lighting, making the Branford area safer for everyone on the highway. Commuter bus service is provided by the Greater New Haven Transit District (through the Connecticut Department of Transportation) and DATTCO, a commercial bus serving shoreline communities east of New Haven.

For rail transportation, Branford is an easy commute to New Haven on the Shore Line East, which also provides direct connections to Metro North service to Manhattan's Grand Central Station and to Amtrak with its new Acela train.

Air travel is a few minutes away at nearby Tweed-New Haven Regional Airport, or approximately 50 minutes away at Bradley International Airport in Hartford. Additional national and international air service is available through New York's JFK and LaGuardia airports (limo service is available from New Haven), as well as T.F. Green in Providence.

Branford has a diverse economic base, composed of both traditional and high tech manufacturers, a vibrant bioscience community (the Town is host to more biotech jobs than any other single town in the state) and a broad retail component that ranges from big-box to specialty boutiques. Major corporations include Harco Electric, Quest Diagnostic Medical Labs, and Neurogen Corporation and CuraGen Corporation, both leaders in their respective bioscience fields operating manufacturing and research facilities in Branford.

Because of Branford's close proximity to New Haven's Yale-New Haven Medical Center and St. Raphael's Hospital, which provide a total of 1,455 licensed beds, the Town has over one hundred fifty area physicians whose efforts are supplemented by the Visiting Nurse Association patient and child care programs. In 1980 Branford became the home of Connecticut Hospice, Inc., the nation's first hospice. The 52 bed inpatient facility treats terminally ill patients and family, as well as providing an 18 town area home care program. The Town also has a 190 bed skilled nursing facility licensed by the State of Connecticut for Medicaid and Medicare beneficiaries offering in-patient and out-patient rehabilitation services. In addition, there is a 110 unit apartment complex for assisted living licensed by the State of Connecticut, and a 90 apartment congregate living center and retirement home.

## **Economic Development**

A major project to revitalize the center of Town was completed in the early 1990s. The project included new streets, municipal parking lots and streetscape improvements to the Town center. The revitalization effort was a cooperative effort between private property owners and the Town where owners agreed to improve façades and enlarge buildings and the Town agreed to provide the infrastructure improvements to benefit all merchants in the designated Town center. This program has greatly enhanced the central district area, which has further encouraged greater retail trade and business in that area. As part of the Town's effort to build on the success of that project, the Revitalization Review Board continues to be active by reviewing and commenting on relevant building and development applications submitted to the Town's regulatory agencies, particularly the Planning & Zoning and Inlands Wetland Commissions.

In addition, over the past ten years the Town has developed over 1,000 acres of industrial zoned area that is directly adjacent to Interstate 95 and within easy access to industrial-rated utilities. The Town last updated its decennial comprehensive *Plan of Conservation and Development* in 1997 to efficiently utilize the undeveloped land in the Town, with approximately 25% zoned for office and industrial use. Efforts are now underway to update the Plan for its next publication in 2007.

The Town has also completed planned upgrades to various infrastructure facilities including: the construction of a new state-of-the-art police station, completed in 1995; and renovations to the Blackstone Library, an historic landmark, completed in 1997; and a \$26,577,000 High School Renovation and Code Compliance project was completed in 2001. The Town built a new wastewater treatment facility and upgrades to pumping and recovery systems. The Town received funds from the State of Connecticut Clean Water Fund to provide a loan/grant of \$26,000,000, the loan at a 2% interest rate, with the Town financing the balance of \$4,950,000 for required upgrades to existing pump and recovery systems with general obligation bonds. The new state-of-the-art facility was completed in 2002 and has since been nationally recognized for its design and efficiency.

Financial institutions in the Town include Superior Savings Bank of New England, Citizens Bank of Commerce, The New Alliance Bank, Wachovia Bank, Bank of America, People's Bank, Sovereign Bank, Bank of Southern, CT and Guilford Savings Bank.

## **Town Services**

**Police:** Organized in 1926, the Branford Police Department provides 24/7/365 law enforcement and police related community services to the Town of Branford. The Branford Board of Police Commissioners is the policy setting board, which has civilian oversight of the agency, and is directed by a full time Chief and Deputy Chief. A state-of-the-art, computerized E911 public safety answering point and its communications division serves as a nexus for all emergency agencies town wide.

In addition to its excellent patrol division, the department also offers a detective unit for major investigations, domestic violence counseling services, full time school resource and youth officers, a marine division to provide services to Branford's waterways, and a police canine program. The Branford Police Department is staffed by 48 State of Connecticut POST certified police officers, 11 dispatchers, who are all EMT certified, and additional civilian support personnel. The department is a candidate for national accreditation by the Consortium for Accreditation of Law Enforcement Agencies (CALEA).

**Fire:** Fire protection is provided by twenty-eight full-time firefighters, one full-time Fire Chief, one Assistant Chief of Training, one full-time Deputy Fire Marshal, and four Deputy Fire Chiefs. The department provides 24 hour service that includes paramedic service. There are six volunteer fire companies that are staffed 24 hours a day with fifty volunteers, with two volunteer Assistant Chiefs and one volunteer Deputy Chief. All company dispatchers are accessible through the E911 system administered by the Police Department. The department has six pumpers, one ladder truck, one rescue vehicle, one

emergency van, and two brush trucks, two fireboats and three ambulances. Dispatchers are accessible through E911 system administered jointly by the police department and fire department. The department recently received a \$370,000 Homeland Security Grant for a new radio system and mobile computers. The Department utilizes state-of-the-art fire apparatus and equipment staffed by highly trained and motivated personnel.

**Public Works and Engineering:** The Public Works Department provides the Town with the professional and technical service oriented activities which are necessary to operate and service the community. The Public Works Department maintains over one hundred miles of roads in Town. Substantial major public improvements of an ongoing nature are provided by the Public Works Department. The Public Works Department is also responsible for a paving and road repair program in which approximately five miles of road are serviced annually through general fund appropriations.

**Water Pollution Control Authority:** The Water Pollution Control Authority (the "Authority") oversees sanitary sewer operations in Town including the renovation and installation of sanitary facilities to new and older developments in Town. The Authority has the power to enact user charges and assessment fees to owners benefiting from the system.

The sanitary sewage system, constructed in 1961, consists of a sewage treatment facility, an interceptor line and laterals serving the central business district and surrounding areas. The system serves approximately 90% of the existing commercial and industrial areas of Town and almost 85% of the residences, including all apartments and condominiums. The plant capacity is 4.5 million gallons per day with current flow at approximately 4.1 million gallons per day. The Town also provides service to a portion of North Branford. All areas along Branford's shoreline are sewered with the exception of the Stony Creek - Thimble Island areas, which have strict sanitary sewer requirements approved by the Town and the State Department of Environmental Protection. The Town's new facility was completed in 2002.

**Parks and Recreation:** The Branford Recreation Department provides and maintains Sliney School Park, Parker Memorial Park, Foote Park, Supply Pond Park, Pissgah Brook, and Young's Pond Park. There are approximately 3,500 acres, or approximately 25% of total Town land, that is dedicated as open space for its residents, consisting of approximately 1,500 acres of Town-owned land, 1,000 acres of water authority land, 500 acres of land trust property, and one parcel for wildlife reserve. In total, the Town has ten parks and four tennis facilities. The Town sponsors special events, provides programs for special interest groups of all ages, assists community groups in planning recreational activities, conducts workshops, clinics, special playgrounds and camps during the summer, provides lifeguards and beach constables for the waterfront facilities, and offers a wide variety of programs such as softball, tennis, aerobics fitness, indoor and outdoor volleyball, basketball, skiing and after-school programs for youngsters. There are four yacht clubs and fifteen marinas in Branford providing moorings for approximately one thousand boats. The Town recently completed a parks revitalization project that provided new equipment and improved grounds at nine (9) Town parks. The \$579,000 project was partially funded by a State grant.

**Solid Waste:** The Town owns and operates a transfer station and recycling center, which accepts almost any material generated in Branford from residents, haulers, and small businesses, for disposal or recycling at out-of-town facilities. Hazardous wastes and large quantities of construction/demolition materials are not accepted. The Town is a member of the Bristol Resource Recovery Facility Operating Committee. Municipal solid waste is transported to that facility as part of a long-term contract, as described below.

The Town has a contract with the Bristol Resource Recovery Facility waste to energy plant (the "Facility") for the disposal of municipal solid waste, pursuant to which it pays a tipping fee of \$65.50 per ton on a minimum required 15,361 tons for fiscal year 2005-06.

Under an Inter-Community Agreement dated August 15, 1985 (the "Inter-Community Agreement"), eleven Connecticut municipalities (the City of Bristol, the Town of Berlin, the Town of Burlington, the City of New Britain, the Town of Plainville, the Town of Plymouth, the Town of Prospect, the Town of Southington, the Town of Washington, the Town of Wolcott and the Town of Warren) formed an Operating Committee, the Bristol Resource Recovery Facility Operating Committee (the "BRRFOC"), authorized by statute to exercise certain rights on the communities' (the "Contracting Communities") behalf in dealing with the Facility. Subsequent to the execution of the Inter-Community Agreement, the Town and the Towns of Seymour and Hartland also became Contracting Communities. The BRRFOC governing board consists of town officials appointed by each of the Contracting Communities and assumes all management decisions for BRRFOC.

Covanta Bristol, Inc. (formerly Ogden-Martin Systems of Bristol, Inc.) (the "Company") operates the Facility, a 650-ton per day mass burn solid waste disposal, electric power generation and resource recovery facility at 170 Enterprise Drive in Bristol, Connecticut. The Company is a subsidiary of Covanta Energy Corporation, a Delaware Corporation ("Covanta"). The Company was formed in 1984 for the purpose of owning, designing, constructing, and operating the Facility for the processing and disposing of certain solid waste ("Acceptable Waste") from each of the Contracting Communities.

The project was funded from the proceeds of the Connecticut Development Authority's (the "Authority") \$73,520,000 Series 1985 Bonds loaned to the Company by the Authority. On May 15, 1995, BRRFOC issued \$68,040,000 in Solid Waste Revenue Refunding Bonds with interest rates varying from 5.20% to 6.50% to current refund \$66,835,000 of outstanding special obligation bonds of the Authority.

All required federal and state permits for construction of the Facility were granted prior to the issuance of the Series 1985 Bonds. Commercial operations began in April of 1988.

Under the Service Agreement, the Company has obligated itself to accept and dispose of, using the Facility and Alternate Disposal Methods, in each contract year at least (1) 200,000 tons per year of Acceptable Waste, (2) the sum of the billing Period Acceptance Guarantees for a Contract Year, and (3) the sum of the Tons delivered during the Contract Year and Acceptable Waste that would have been Waste but for its rejection by the Company or the Service Agreement sum of the yearly Adjusted Guarantee Facility Capacity and the amount of landfill capacity for such Contract Year. Additionally, the Company has obligated itself to operate and maintain the Facility throughout the term of the Service Agreement for a service fee paid by the Contracting Communities through BRRFOC. The Contracting Communities have agreed to use their best efforts to cause to be delivered to the Facility all Acceptable Waste generated within their boundaries up to the Annual Guaranteed Capacity of the Facility and in any event, to deliver, or cause to be delivered, to the Facility, not less than 153,300 tons of Acceptable Waste in each Contract Year. The Company and the Contracting Communities have each agreed to seek additional Acceptable Waste up to the capacity of the Facility. In the event that for any reason such additional Acceptable Waste is not available, each Contracting Community is nevertheless obligated to pay its respective portion of the Service Fee, which is currently \$65.50 per ton for the fiscal year ending June 30, 2006.

Waste disposal by the Company is to be provided through the operation of the Facility or by any other Alternate Disposal Method reasonably acceptable to the Contracting Communities, including permitted sanitary landfills. The Service Fee payable by each contracting Community for such waste disposal service is its pro-rata share, based on its respective tonnage deliveries of Acceptable Waste, of the sum for each monthly billing portion of (1) an amount equal to debt service on the BRRFOC Solid Waste Revenue Refunding Series 1995 Bonds; (2) the Operation and Maintenance Expense; (3) passthrough costs, including certain taxes, insurance, and utility costs, less a credit equal to 90% of all energy revenues and with an adjustment with respect to recovered ferrous metals; and (4) certain incentive payments. The Town is committed to deliver 15,361 tons of Acceptable Waste for fiscal year 2005-06.

If the Facility is temporarily or permanently shut down and partially or completely unable to receive and process Acceptable Waste, the Company is obligated to provide waste disposal services by alternate disposal methods. In such circumstances, the Energy Credit and the Recovered Materials Adjustment will decrease.

The Company is obligated under the Service Agreement to seek to mitigate the effect of any shutdown, and the Operation and Maintenance Expense is to be adjusted to the extent the Facility is unable to receive and process Acceptable Waste, to reflect the Company's actual direct costs of alternate disposal.

For as long as the Service Agreement remains in effect, the Contracting Communities are obligated to pay the Service Fee to the Company whether or not the Contracting Communities deliver Acceptable Waste to the Facility and whether or not the Company disposes of such Acceptable Waste through the Facility. This obligation is absolute and unconditional, it is not subject to any rights of set-off, recoupment or counterclaim any Contracting Community may have against the Company, the Bond Indenture Trustee or any other person, and may not be suspended or discontinued for any purpose. In the event of a payment default under the Service Agreement by any one or more of the Contracting Communities, the non-defaulting Contracting Communities are jointly and severally liable to pay such defaulted amount. Each of the Contracting Communities pledges its full faith and credit to, and is obligated to appropriate, levy taxes, or otherwise raise the funds necessary for the payment in full of all amounts at any given time due from such Contracting Community under the Project Agreement or the Service Agreement to the complete satisfaction of all obligations of such Contracting Community under such agreements.

The Contracting Communities' obligation to pay the Service Fee ceases if the Service Agreement is terminated. If the Service Agreement is terminated due to a default by the Contracting Community, the non-terminating Contracting Communities are obligated to pay amounts sufficient to decrease the Bonds or pay amounts sufficient to make timely payments of principal and interest on the Bonds. If the Service Agreement is terminated due to a default by the Company, the Company is generally obligated to defease the Bonds or continue to make timely payments of principal and interest on the Bonds. If the Company does not perform its obligation under the Service Agreement and Covanta fails to perform such obligations pursuant to the Guaranty Agreement referred to below, the Contracting Communities have certain rights to terminate the Service Agreement and upon termination would be no longer obligated to pay the Service Fee.

The Company provides specific performance to the Contracting Communities under the Project Agreement and the Service Agreement. These include an Annual Acceptance Guarantee and an Energy Efficiency Guarantee of a minimum of 490-kilowatt hours of electricity net of in-plant use per ton of reference composition Acceptable Waste. Specific liquidated damages are payable for failure to meet performance guarantees.

Covanta guarantees the performance of all the obligations of the Company under the Project Agreement and the Service Agreement, including its obligation upon default, pursuant to a guarantee dated as of August 1, 1985 (the "Guaranty Agreement"). The obligations of Covanta under the Guaranty Agreement are absolute and unconditional.

The Town also operates a leaf compost site, and owns and manages a bulky waste landfill which accepts small quantities of demolition debris and land clearing debris through the transfer station; and cover materials, including clean and contaminated soils from the region. The Town provides collection of garbage and recyclables for single family homes through a private hauler. Rebates toward garbage and recycling collection costs are provided for condominium associations.

**Library:** The Town has two libraries available for use by its citizens: The Willoughby Wallace Library, which is fully funded and operated by the Town, and the James Blackstone Memorial Library, which is partially funded by the Town and is governed by a private Board of Directors. Both facilities are staffed by full and part-time professional staff, and include over 100,000 volumes for public use. Extensive use is made of computer data retrieval technologies, including CD-ROMS and Internet access. Both libraries are members of the Statewide LION reference system.

**Planning and Zoning Commission:** The Town has a combined Planning and Zoning Commission, working with the Director of Public Works and Town Engineer, whose duties are to guide, control and approve all design work and site development to conform with the Town ordinances and regulations and the Connecticut General Statutes.

**Education:** An elected nine member Board of Education is responsible for the operation of the six Branford Public Schools. The Town of Branford Public School system provides comprehensive educational programs to students in grades pre-kindergarten through grade twelve. It also provides a wide range of adult education courses to numerous and varied segments of the community.

The grade structure of the public school system is pre-kindergarten through grade 4, grades 5 through 8 and grades 9 through 12. A complete program of basic skills is offered to all students. The public schools also offer comprehensive special education courses. In addition, there is a wide variety of extracurricular activities including sports.

**Water:** The South Central Connecticut Regional Water Authority provides water services to the Town of Branford and the New Haven region. Under the legislation creating the Authority, the Authority is required to pay the Town an annual payment in lieu of taxes (PILOT) for Water Authority property within the Town boundaries. The assessed value of the Authority's property in Branford is \$8,288,415 on the Grand List of 10/01/04, generating a PILOT payment of \$173,808 for fiscal year 2005-06.

**Electric:** The Town is served by the Connecticut Light and Power Company, a publicly owned utility, and a subsidiary of Northeast Utilities.

## Town Organization

Branford is administered by a First Selectman, who acts as the Chief Executive Officer, a Board of Selectmen, a Representative Town Meeting ("RTM"), and a six member Board of Finance that constitute the Selectmen/Board of Finance/RTM form of government.

General Town elections are held on the first Tuesday after the first Monday in November of each odd numbered year to elect the Board of Selectmen, Town Treasurer, Tax Collector, Town Clerk, and members of the RTM. Their terms of office are for two years.

The RTM is made up of thirty elected members representing five voting districts. The members of the RTM choose one of their members to be Moderator of the RTM, who presides over all its meetings.

The legislative power of the Town is vested exclusively in the RTM, except as otherwise provided for by the electors. The RTM has the power to enact, amend, or repeal ordinances not inconsistent with the Charter or the General Statutes of the State. The electors have the power to approve or reject an ordinance by referendum, as provided in the Charter. The Board of Finance prepares the annual budget for recommendation to the RTM and sets the mill rate, as prescribed by Town Charter.

## Town Officials

The current Town Officials are:

	<u>Selection</u>	<u>Term Expires</u>	<u>Years of Service</u>
Cheryl P. Morris - First Selectman	Elected	11/07	-0-
John E. Opie - Selectman	Elected	11/07	-0-
Richard W. Sullivan - Selectman	Elected	11/07	-0-
Marianne Kelly - Town Clerk	Elected	1/08	-0-
Joanne Cleary - Tax Collector	Elected	11/07	-0-
Peter Banca - Treasurer	Elected	11/07	-0-
Edward Marcus - Town Attorney	Appointed	Indefinite	-0-
Joseph Mooney - Board of Finance Chairman	Appointed	7/07	28.0
Barbara Neal - Assessor	Appointed	Indefinite	4.5
Dr. Kathleen C. Halligan - Superintendent of Schools	Appointed	Indefinite	0.5
James P. Finch - Director of Finance	Appointed	Indefinite	7.5
Scully & Wolf, LLP - Independent Auditors	Appointed	Indefinite	9.0
Independent Bond and Investment Consultants LLC - Financial Advisors	Appointed	Indefinite	11.5

Source: Town of Branford.

## Education

An elected nine member Board of Education is responsible for the operation of the six Branford Public Schools. The Town of Branford Public School system provides comprehensive educational programs to students in grades pre-kindergarten through grade twelve. It also provides a wide range of adult education courses to numerous and varied segments of the community as part of a regional collaboration.

The grade structure of the public school system is: pre-kindergarten and special education; kindergarten through grade 4; grades 5 through 8 and grades 9 through 12. A complete program of basic skills is offered to all students. The public schools also offer comprehensive special education services. In addition, there is a wide variety of extracurricular activities including sports.

### School Facilities

<u>School</u>	<u>Grades</u>	<u>Date of Construction (Additions, Remodeling)</u>	<u>No. of Classrooms</u>	<u>October 1, 2005 Enrollment</u>	<u>Capacity</u>
Indian Neck	EYP (1)	1950	4	64	200
Mary T. Murphy	K-4	1960 (1991)	22	421	500
Mary R. Tisko	K-4	1960 (1991)	22	462	500
John B. Sliney	K-4	1928 (1979)	23	367	500
Branford Intermediate	5-8	1972	74 (2)	1,124	1,500
Branford High School	9-12	1958 (1964,70,82,95,99)	88	1,178	1,400
Totals (3)			233	3,616	4,600

(1) Early Years Program (EYP), Family Resource Center, and School-Age Child Care Program.

(2) This school is an open-plan facility. The number of classrooms listed is a conversion from the open-plan to the approximate number of teaching stations.

(3) Includes Pre-kindergarten students and special education; does not include tuition and non-graded students.

Source: Central Administration - Branford Board of Education.

### School Enrollment

The following table presents school enrollment history and projected enrollment.

<u>Enrollment History</u>				
<u>As of October 1</u>	<u>PK-4</u>	<u>5-8</u>	<u>9-12</u>	<u>Total (1)</u>
1996-97	1,558	1,163	977	3,698
1997-98	1,532	1,150	969	3,651
1998-99	1,547	1,170	997	3,714
1999-00	1,491	1,232	1,032	3,755
2000-01	1,464	1,217	1,103	3,784
2001-02	1,469	1,190	1,136	3,795
2002-03	1,372	1,202	1,199	3,773
2003-04	1,347	1,157	1,173	3,677
2004-05	1,327	1,105	1,176	3,608
2005-06	1,314	1,124	1,178	3,616
<u>Projected Enrollment</u>				
2006-07	1,199	1,059	1,164	3,422
2007-08	1,168	1,019	1,122	3,309
2008-09	1,131	1,005	1,094	3,230
2009-10	1,094	992	1,069	3,155

(1) Includes Pre-kindergarten students and special education; does not include tuition and non-graded students.

Source: Branford Board of Education and State of Connecticut Department of Education.



## Town Employees

Following is a breakdown by category of Town and Board of Education full time budgeted employees as of February 7, 2006:

<u>Department</u>	<u>Employees</u>
<u>General Government Employees</u>	
General government	40
Public safety	102
Public works	39
Health & welfare	22
Recreation	7
Libraries	<u>1</u>
Total General Government	<u>211</u>
<u>Board of Education Employees</u>	
Administration and Principals	19
Teachers	296
Other	<u>192</u>
Total Board of Education	<u>507</u>
Total Town Employees	<u>718</u>

Source: Town Officials.

The following table reflects full time Town employment for the current and past nine fiscal years:

<u>Fiscal Year</u>	<u>General Government</u>	<u>Board of Education</u>	<u>Total</u>
1997	214	474	688
1998	215	484	699
1999	195	492	687
2000	199	494	693
2001	183	496	679
2002	189	501	690
2003	193	504	697
2004	199	505	704
2005	204	507	711
2006	211	507	718

Source: Town Officials

## ECONOMIC AND DEMOGRAPHIC DATA

### Population Trends

<u>Year</u>	<u>Town of Branford</u>	<u>New Haven County</u>	<u>State of Connecticut</u>
1960	16,610	660,315	2,535,234
1970	20,444	744,948	3,032,217
1980	23,363	761,337	3,107,576
1990	27,603	804,219	3,287,116
2000	28,683	824,008	3,405,565
2004	29,191	845,694	3,503,604

Source: U.S. Department of Commerce, Bureau of Census.

### Age Characteristics of Population

	<u>Town of Branford</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Under 5 years of age	1,561	5.4	223,344	6.6
5-19 years of age	4,815	16.8	702,358	20.6
20-34 years of age	4,722	16.5	639,211	18.8
35-64 years of age	12,742	44.4	1,370,469	40.2
Over 65 years of age	<u>4,843</u>	<u>16.9</u>	<u>470,183</u>	<u>13.8</u>
Total	<u>28,683</u>	<u>100.0</u>	<u>3,405,565</u>	<u>100.0</u>

Source: U.S. Department of Commerce, Bureau of Census, 2000.

### Selected Wealth and Income Indicators

Median family income, and, as available, per capita income statistics are provided for the Town, New Haven County, the State, and the United States.

	<u>Median Family Income</u>		<u>Per Capita Income</u>	
	<u>(1990)</u>	<u>(2000)</u>	<u>(1990)</u>	<u>(2000)</u>
Town of Branford	\$51,710	\$69,510	\$22,642	\$32,301
New Haven County	46,058	60,549	17,666	24,439
Connecticut	49,199	65,521	20,189	28,766
United States	35,225	49,600	14,420	21,690

Source: U.S. Department of Commerce, Bureau of Census.

### Income Distribution

	<u>Town of Branford</u>		<u>State of Connecticut</u>	
	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>
\$ 0 to 9,999	168	2.2	33,423	3.8
10,000 to 14,999	140	1.8	23,593	2.7
15,000 to 24,999	468	6.0	63,262	7.1
25,000 to 34,999	559	7.2	75,413	8.5
35,000 to 49,999	968	12.5	120,134	13.6
50,000 to 74,999	1,910	24.6	198,924	22.5
75,000 to 99,999	1,544	19.9	141,981	16.0
100,000 to 149,999	1,190	15.4	132,177	14.9
150,000 to 199,999	401	5.2	42,472	4.8
200,000 or more	<u>402</u>	<u>5.2</u>	<u>54,368</u>	<u>6.1</u>
	<u>7,750</u>	<u>100.0</u>	<u>885,747</u>	<u>100.0</u>

Source: U.S. Department of Commerce, Bureau of Census, 2000 Census.

## Educational Attainment

<u>Years of School Completed, Age 25 &amp; Over</u>	<u>Town of Branford</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Elementary 0-8 Years	584	2.8	132,917	5.8
High School 1-3 Years	1,414	6.6	234,739	10.2
4 Years	5,622	26.4	653,300	28.5
College 1-3 Years	5,432	25.5	553,667	24.1
4 Years or More	<u>8,246</u>	<u>38.7</u>	<u>720,994</u>	<u>31.4</u>
Total	<u>21,298</u>	<u>100.0</u>	<u>2,295,617</u>	<u>100.0</u>

Source: U.S. Department of Commerce, Bureau of the Census, 2000 Census.

## Major Employers

The following table sets forth the name and estimated number of persons employed within the Town by the major employers located within the Town:

<u>Name of Employer</u>	<u>Nature of Entity</u>	<u>Estimated Number Of Employees</u>
Town of Branford	Municipal government	704
Connecticut Hospice	Hospice	325
Branford Hills Health Care	Health Care	285
Wal-Mart	Retail store	260
Seton Name Plate	Manufacturing	260
Curagen	Bioscience	239
Blakeslee Prestress	Manufacturing	231
Stop & Shop	Retail food	190
Neurogen Corporation	Bioscience	160
Cintas	Service	160
Aplicare	Manufacturing	150
A&P	Retail food	150
Harco Labs	Environmental	135
Lester Telemarketing	Service	125
Kohls	Retail store	110
CAS Medical	Manufacturing	86
Turbine Components	Manufacturing	85
Atlantic Wire	Manufacturing	65
Cellular Genomics	Bioscience	<u>51</u>
Total		<u>3,771</u>

Source: Town of Branford.

## Unemployment Rate Statistics

The following table presents unemployment rates for the Town, the New Haven Labor Market, the State, and for the United States:

<u>Yearly Average</u>	<u>Town of Branford</u>	<u>New Haven Labor Market</u>	<u>State of Connecticut</u>	<u>United States</u>
1995	4.5%	5.5%	5.5%	5.6%
1996	4.8	5.8	5.7	5.4
1997	4.3	5.2	5.1	4.9
1998	2.9	3.3	3.4	4.5
1999	2.6	3.1	3.2	4.2
2000	2.0	2.3	2.3	4.0
2001	2.8	3.2	3.3	4.8
2002	3.3	4.1	4.3	5.8
2003	4.1	4.9	5.0	6.0
2004	4.0	4.8	4.9	5.5

### 2005 Monthly

January	4.4%	5.4%	5.3%	5.7%
February	4.6	5.4	5.3	5.8
March	4.3	5.2	5.0	5.4
April	3.8	5.0	4.8	4.9
May	4.2	5.4	5.3	4.9
June	4.4	5.5	5.4	5.2
July	4.5	5.6	5.4	5.2
August	4.5	5.5	5.3	4.9
September	4.2	5.1	4.9	4.8
October	4.2	5.2	5.0	4.8
November	3.9	4.9	4.8	4.8

Source: State of Connecticut, Department of Labor; United States Department of Labor, Bureau of Labor Statistics.

## Building Permits

Calendar Year Ending 12/31	<u>Single Family</u>		<u>Two Family</u>		<u>Commercial/ Industrial</u>		<u>Other</u>		<u>Total Value</u>	
	<u>Permits</u>	<u>Value</u>	<u>Permits</u>	<u>Value</u>	<u>Permits</u>	<u>Value</u>	<u>Permits</u>	<u>Value</u>	<u>Permits</u>	<u>Value</u>
2005 (1)	46	\$15,547,542	1	\$ 141,180	12	\$10,000,856	2,985	\$17,254,376	3,044	\$42,943,954
2004	46	12,174,394	-0-	-0-	13	6,366,431	3,383	19,967,339	3,442	38,508,164
2003	37	9,736,610	-0-	-0-	5	2,078,852	3,180	16,749,472	3,222	28,564,934
2002	58	12,424,050	1	110,000	10	2,765,816	3,497	17,724,942	3,566	33,024,808
2001	40	8,579,600	2	247,000	3	295,000	4,268	19,623,093	4,313	28,744,693
2000	26	4,173,800	6	1,290,000	8	2,648,000	3,914	16,354,510	3,954	24,466,310
1999	48	6,157,615	3	244,960	3	370,000	3,777	13,983,147	3,831	20,755,722
1998	39	4,116,900	1	82,400	5	4,557,426	3,865	15,401,051	3,910	24,157,777
1997	37	3,865,520	5	415,480	6	2,595,718	3,421	17,735,538	3,469	24,612,256

(1) As of November 30, 2005.

Source: Building Department, Town of Branford.

**TOWN INDEBTEDNESS  
PRO FORMA  
(THOUSANDS)**

**Computation of Statutory Debt Limit and Debt Margin**

The following table sets forth the computation of the statutory debt limit and debt margin of the Town as of February 7, 2005:

Total Fiscal Year 2005 tax collections (including interest and lien fees)	\$66,128,000
Total Fiscal Year 2005 tax collections (including interest and lien fees) of coterminous Municipalities (1)	994,000
State Reimbursement for Revenue Loss on Tax Relief for the Elderly	<u>17,000</u>
Base for Establishing Debt Limit	<u>\$67,139,000</u>

**Debt Limit (2)**

	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Unfunded Past Pension</u>	<u>Total Debt</u>
General Purpose (2.25 times base)	\$151,063,000					
Schools (4.50 times base)		\$302,126,000				
Sewers (3.75 times base)			\$251,771,000			
Urban Renewal (3.25 times base)				\$218,202,000		
Unfunded Past Pension (3.00 times base)					\$201,417,000	
Total Debt (1) (7.00 times base)						\$469,973,000

**Indebtedness (Including the Bonds)**

Bonds Payable (3)	\$ 7,097,800	\$ 19,947,500	\$ 5,027,500	\$ -0-	\$ -0-	\$ 32,072,800
The Bonds ( <i>This Issue</i> )	3,800,000	-0-	300,000	-0-	-0-	4,100,000
State of Connecticut Clean Water Fund Project Loan Obligations (PLO) (4)	-0-	-0-	18,921,183	-0-	-0-	18,921,183
State of Connecticut Clean Water Fund Interim Funding Obligation (IFO) (4)	-0-	-0-	7,442,287	-0-	-0-	7,442,287
Authorized but Unissued Debt	<u>1,300,000</u>	<u>-0-</u>	<u>1,502,713</u>	<u>-0-</u>	<u>-0-</u>	<u>2,802,713</u>
Total Indebtedness	<u>12,197,800</u>	<u>19,947,500</u>	<u>33,193,683</u>	<u>-0-</u>	<u>-0-</u>	<u>65,338,983</u>
Less:						
Sewer Assessments (5)	-0-	-0-	( 1,538,417)	-0-	-0-	( 1,538,417)
School grants receivable (6)	<u>-0-</u>	<u>( 7,044,203)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>( 7,044,203)</u>
Net Total Indebtedness	<u>12,197,800</u>	<u>12,903,297</u>	<u>31,655,266</u>	<u>-0-</u>	<u>-0-</u>	<u>56,756,363</u>
Excess of Limit Over Outstanding and Authorized Debt	<u>\$138,865,200</u>	<u>\$289,222,703</u>	<u>\$220,115,735</u>	<u>\$218,202,000</u>	<u>\$201,417,000</u>	<u>\$413,216,637</u>

(1) Other political subdivisions with power to cause taxes to be levied on taxable property in the Town are numerous tax districts and other associations. There is no outstanding indebtedness of these districts as of February 1, 2006.

(2) Under Connecticut General Statutes, total indebtedness for all classes cannot exceed seven times the base, or \$469,973,000.

(3) Does not include \$267,200 of water debt excluded by Connecticut General Statutes Section 7-374.

(4) Under the State of Connecticut's Clean Water Fund Program, the Town has issued the following Project Loan Obligations dated June 30, 1994, September 30, 1999 and March 31, 2003 of which \$18,921,183 is currently outstanding. The Town also has one Interim Funding Obligations ("IFO") outstanding in the amount of \$7,442,287. (See "Clean Water Fund" herein).

(5) Sewer assessment receivable as of December 22, 2005.

(6) The Town anticipates receiving State of Connecticut principal subsidy grants in the amount of \$7,044,203 over the remaining life of outstanding school bonds approved prior to July 1, 1996. (See "School Projects" herein).

Source: Town Officials

### Calculation of Net Direct Indebtedness

The following table sets forth all outstanding indebtedness of the Town, pro forma as of February 7, 2006, less applicable exclusions:

#### Indebtedness (1)

##### Bonded Debt

The Bonds ( <i>This Issue</i> )	\$ 4,100,000
General Purpose	7,097,800
Schools	19,947,500
Water	267,200
Sewers	5,027,500
State of Connecticut Clean Water Fund PLO	<u>18,921,183</u>
<b>Total Bonded Debt</b>	<u>55,361,183</u>

##### Short-Term Debt

State of Connecticut Clean Water Fund IFO	7,442,287
Bond Anticipation Notes	<u>-0-</u>

<b>Direct Debt</b>	<u>62,803,470</u>
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##### Exclusions:

Water assessments receivable (2)	( 125,580)
Sewer assessments receivable (3)	( 1,538,417)
State school building aid receivable (4)	<u>( 7,044,203)</u>

<b>Net Direct Debt</b>	<u>\$54,095,270</u>
------------------------	---------------------

(1) Does not include authorized but unissued debt of \$2,802,713.

(2) Water assessment receivable as of December 22, 2005.

(3) Sewer assessment receivable as of December 22, 2005.

(4) The Town anticipates receiving State of Connecticut principal subsidy grants in the amount of \$7,044,203 over the remaining life of outstanding school bonds approved prior to July 1, 1996. (See "School Projects" herein).

### History of Outstanding Indebtedness

The following table sets forth the total long-term bonded indebtedness and short-term indebtedness outstanding at the end of each of the fiscal years 1996-2005:

Fiscal Year Ended 6/30	Short-Term Debt	Long-Term Debt	Total Debt
2005	\$ 3,605,000	\$51,830,734	\$55,435,734
2004	-0-	56,266,870	56,266,870
2003	-0-	60,013,991	60,013,991
2002	18,389,521	43,523,652	61,913,173
2001	12,134,148	47,749,149	59,883,297
2000	4,020,000	39,288,251	43,308,251
1999	1,120,151	42,177,130	43,297,281
1998	873,470	46,314,381	47,187,851
1997	1,111,390	32,920,000	34,031,390
1996	6,530,710	20,322,000	26,852,710

### Outstanding Short-Term Indebtedness

The Town has no other short-term debt other than this issue.

### Overlapping and Underlying Indebtedness

The Town has no overlapping indebtedness. Other political subdivisions with power to issue underlying indebtedness or cause taxes to be levied on taxable property in the Town are numerous tax districts and other associations. There is no outstanding indebtedness of these districts as of February 7, 2006.

## Debt Ratios

The following table sets forth certain ratios relating to the Town's indebtedness, giving effect to this financing:

	Amount of	Per	Percentage
	<u>Indebtedness</u>	<u>Capita (a)</u>	<u>Of Full</u> <u>Valuation (b)</u>
Direct Indebtedness (c)	\$62,803,470	\$2,151.47	1.22%
Total Net Direct Indebtedness (c)	\$54,095,270	\$1,853.15	1.48%

Notes:

- (a) The Town's 2004 population is estimated at 29,191. (See "Population Trends" herein.)
- (b) The October 1, 2003 estimated Equalized Net Grand List, i.e. estimated full valuation of taxable property, as developed by the State of Connecticut, Office of Policy and Management, was \$5,161,084,756.
- (c) See "Calculation of Net Direct Indebtedness" herein. For purposes of ratio analysis, net direct indebtedness includes grants receivable.

## Clean Water Fund Program

The Town of Branford is a participant in the State of Connecticut Clean Water Fund Program (Connecticut General Statutes Section 22a-475 et seq., as amended) which provides financial assistance through a combination of grants and loans bearing interest at a rate of 2% per annum. All participating municipalities receive a grant of 20% and a loan of 80% of total eligible costs (with the exception of combined sewer overflow correction projects which are financed with a 50% grant and a 50% loan.)

Loans to each municipality are made pursuant to Project Grant and Project Loan Agreements (the "Loan Agreement"). Each municipality is obligated to repay only that amount which it draws down for the payment of project costs ("Interim Funding Obligations"). Each municipality must deliver to the State an obligation secured by the full faith and credit of the municipality, and/or a dedicated source of revenue of such municipality.

Amortization of each loan is required to begin one year from the earlier of the project completion date specified in the Loan Agreement or the actual project completion date. The final maturity of each loan is twenty years from the scheduled completion date. Principal and interest payments are made (1) in equal monthly installments commencing one month after the scheduled completion date, or (2) in single annual installments representing 1/20 of total principal not later than one year from the project completion date specified in the Loan Agreement repayable thereafter in monthly installments. Loans made under loan agreements entered into prior to July 1, 1989 are repayable in annual installments. Borrowers may elect to make level debt service payments or level principal payments. Borrowers may prepay their loans at any time prior to maturity without penalty.

The Town has the following Clean Water loans ("PLO's") outstanding:

<u>Project</u>	<u>Original 2%</u> <u>Loan Amount</u>	<u>Amount Outstanding</u> <u>as of February 7, 2006</u>
CWF PLO 277-PD	\$ 270,620	\$ 110,110
CWF PLO 358-D	1,270,151	899,084
CWF PLO 358-C	20,929,997	17,911,989
	<u>\$22,470,768</u>	<u>\$18,921,183</u>

In addition to the permanent loans listed above, the Town currently has an Interim Funding Obligation ("IFO") outstanding in the amount of \$7,442,287. The Town is currently performing renovations and upgrades to its sewer system which are expected to be financed through the State of Connecticut's Clean Water Fund.

# COMBINED SCHEDULE OF LONG TERM DEBT THROUGH MATURITY

## PRO FORMA AS OF

FEBRUARY 7, 2006

Fiscal Year	Principal Payments	(1)	Interest Payments	Total Debt Service	(1)	Principal (This Issue)	Principal All Issues	(1)
2006	\$ 4,645,536		\$ 1,857,856	\$ 6,503,392		\$ -0-	\$ 4,645,536	
2007	4,515,327		1,668,735	6,184,062		400,000	4,915,327	
2008	4,810,518		1,486,544	6,297,062		275,000	5,085,518	
2009	4,241,117		1,290,210	5,531,327		275,000	4,516,117	
2010	3,762,131		1,118,341	4,880,472		275,000	4,037,131	
2011	3,833,570		983,110	4,816,680		275,000	4,108,570	
2012	3,945,441		851,811	4,797,252		275,000	4,220,441	
2013	3,990,031		703,021	4,693,052		375,000	4,365,031	
2014	3,998,983		548,325	4,547,308		375,000	4,373,983	
2015	2,941,872		394,436	3,336,308		375,000	3,316,872	
2016	1,890,223		283,095	2,173,318		375,000	2,265,223	
2017	1,914,045		223,773	2,137,818		275,000	2,189,045	
2018	1,863,348		163,970	2,027,318		275,000	2,138,348	
2019	1,502,433		107,829	1,610,262		125,000	1,627,433	
2020	1,196,059		68,600	1,264,659		75,000	1,271,059	
2021	1,220,201		44,458	1,264,659		75,000	1,295,201	
2022	1,244,830		19,829	1,264,659		-0-	1,244,830	
2023	<u>315,114</u>		<u>1,051</u>	<u>316,165</u>		<u>-0-</u>	<u>315,114</u>	
	<u>\$51,830,779</u>		<u>\$11,814,994</u>	<u>\$63,645,773</u>		<u>\$4,100,000</u>	<u>\$55,930,779</u>	

(1) Does not reflect fiscal year 2005-06 principal payments of \$569,596 made as of February 6, 2006.

Source: Town of Branford.



## TOWN FINANCIAL DATA

The Town's finances are operated primarily through the General Fund. All property taxes and most other revenues are paid into General Fund and all current operating expenditures are paid from it. The Town also utilizes the following funds: Capital Projects Fund, Special Revenue Fund, Trust and Agency Fund and Pension Trust Funds. Major capital improvement projects are financed by the issuance of bonds and bond anticipation notes. The Town's fiscal year begins July 1 and ends June 30. Financial statements of the Town are included in "Audited Financial Statements" in Appendix A herein.

### Revenues

The Town derives its revenues from a direct tax levy on property, State and Federal aid, various fees and charges, and certain miscellaneous sources. Town revenues are summarized for fiscal years ended 2001-2005 in "Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund" herein. The prior year's appropriated surplus is also available to support current operating expenditures.

### Property Tax

The Town derived the following percentage of its annual revenues from the direct property tax:

<u>Fiscal Year</u>	<u>Percentage</u>
1996-97	84.14%
1997-98	83.19
1998-99	82.65
1999-00	82.26
2000-01	80.30
2001-02	80.80
2002-03	82.00
2003-04	85.49
2004-05	85.54
2005-06 (Adopted Budget)	84.86

### Real Property Tax Collection Procedure

Taxes for the fiscal year are paid on the grand list of the prior October 1, and are due July 1, payable in two installments, July 1 and January 1. Payments not received one month after the due date become delinquent.

Delinquent property taxes are subject to the interest rate to 1.5% per month. Real estate is lienied for delinquent taxes within one year after the tax due date.

## Real Property Tax Levies and Collections

The following table sets forth the amount of annual property tax levy and the tax collection record of the Town for fiscal years 1996 through 2005 and as budgeted for fiscal year 2006:

FY Ending 6/30	Net Taxable Grand List	Total Tax Rate (In Mills)	Adjusted Tax Levy	Collected End of Each FY	Uncollected Taxes	
					End of Each FY	As of 06/30/05
2006 (1)	\$3,233,514,892	20.97	\$67,819,254	In Process	In Process	In Process
2005	2,723,431,438	23.94	65,256,463	98.5%	\$1,005,376	\$1,005,376
2004 (2)	2,716,106,910	22.79	62,132,177	98.0	1,231,893	578,328
2003	2,038,883,517	29.14	59,826,471	98.0	1,218,890	401,695
2002	2,025,281,157	27.92	57,002,473	96.9	1,742,144	344,232
2001	2,007,936,691	26.19	52,999,927	96.5	1,845,891	266,926
2000	1,975,365,731	24.89	49,665,955	97.5	1,246,810	73,787
1999	1,943,218,181	23.53	46,079,853	97.7	1,017,740	39,607
1998	1,925,893,829	22.56	43,682,431	97.6	1,036,128	32,834
1997	1,917,503,754	22.19	42,669,729	96.9	1,345,064	27,012
1996	1,885,553,785	21.80	41,179,022	97.5	1,020,118	25,773

(1) Fiscal Year 2005-06 approved budget.

(2) The last revaluation was effective October 1, 2004.

Source: Tax Collector's Office, Town of Branford.

## Taxable Grand List

The following table sets forth the Town's taxable Grand List by component, for the Grand Lists dated October 1, 1994 through October 1, 2004.

Grand List Dated	(%) Residential Property	(%) Industrial & Commercial Property	(%) Land	(%) Motor Vehicles	(%) Personal Property	Gross Taxable Grand List	Exemptions	Net Taxable Grand List
10/1/04 (1)	76.1	14.0	0.5	6.1	3.3	\$3,264,478,211	\$30,963,319	\$3,233,514,892
10/1/03	75.2	13.6	0.4	6.8	4.1	2,757,620,652	34,189,214	2,723,431,438
10/1/02	74.3	13.4	0.4	7.0	4.9	2,752,521,479	36,414,569	2,716,106,910
10/1/01	66.3	17.1	1.5	9.1	5.9	2,073,521,619	34,638,102	2,038,883,517
10/1/00	66.3	17.6	1.6	8.9	5.5	2,056,736,650	31,455,493	2,025,281,157
10/1/99	66.4	17.8	1.6	8.7	5.5	2,041,216,013	33,279,322	2,007,936,691
10/1/98 (2)	67.1	17.8	1.6	8.1	5.3	2,008,649,050	33,283,319	1,975,365,731
10/1/97	41.7	12.3	33.3	7.8	4.8	1,974,371,595	31,153,414	1,943,218,181
10/1/96	41.5	12.3	34.0	7.5	4.7	1,950,953,988	25,057,159	1,925,896,829
10/1/95	41.7	12.1	34.1	7.6	4.5	1,940,084,844	22,511,090	1,917,573,754
10/1/94	42.0	12.4	34.7	6.7	4.2	1,906,300,105	20,766,320	1,885,533,785

(1) The latest revaluation was effective October 1, 2004 as described above.

(2) The State of Connecticut changed the reporting location of land in the grand list from land category to other real property categories.

Source: Assessor's office, Town of Branford.

## Largest Taxpayers

The following table sets forth the ten largest taxpayers in the Town per the Grand List dated October 1, 2004:

<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>Grand List Amount</u>	<u>Estimated Taxes</u>
Connecticut Light & Power	Utility	\$ 20,030,136	\$ 420,032
Svenningsen, Christine	Residential Real Estate	18,327,700	384,332
Kiop Branford LLC	Shopping Plaza	11,917,856	249,917
Neurogen Corporation	Research and Development Lab	10,712,511	224,641
CSC Montoya Limited	Commercial Real Estate	9,394,109	196,994
Business Park Realty	Commercial Real Estate	9,281,552	194,634
WalMart Stores, Inc.	Commercial Retail	8,908,217	186,805
Tiffany Associates	Industrial Light	8,094,189	169,735
Wilcris Realty	Theatre & Pharmacy	7,981,292	167,368
Fusco-Shiller Branford Assoc.	Commercial Retail	<u>6,491,770</u>	<u>136,132</u>
Total		<u>\$111,139,332</u> (1)	<u>\$2,330,590</u> (2)

(1) Represents 3.44% of the net taxable grand list of \$3,233,514,892 dated October 1, 2004.

(2) Represents 3.44% of the adopted tax levy of \$67,819,254 for fiscal year 2005-06.

Note: South Central Connecticut Regional Water Authority (the "Authority") is required to make annual payments to the Town equivalent to the taxes which would otherwise be due for the property of the Authority in such municipality excluding any improvements to or construction on any such real property by the Authority. The Authority currently makes payments in lieu of taxes (PILOT) at the current mill rate on personal and real property assessed at \$8,288,415 amounting to \$173,808. Exempt property acquired after the transfer day is not subject to taxation. Payments to the Town are not treated as taxes for accounting purposes; therefore the Authority is not considered a taxpayer.

Source: Assessor's Office, Town of Branford.

## Federal and State Aid

The Town receives financial assistance from the Federal and State governments, which comes primarily in the form of grants for Town operations and education.

The following table sets forth the percentage of Town General Fund revenues comprised of Federal and State aid for each of the fiscal years ended 1997-2005, and as budgeted for fiscal year 2005-06:

<u>Fiscal Year</u>	<u>General Fund Revenues</u>	<u>Federal/ State Aid</u>	<u>Federal/State Aid As a Percentage Of General Fund Revenue</u>
2006 (Adopted budget)	\$79,377,249	\$3,691,037	4.6%
2005	77,022,720	5,183,466	6.7
2004	72,993,959	5,197,520	7.1
2003	71,471,916	5,390,976	7.5
2002	68,370,378	5,783,023	8.5
2001	63,720,784	6,007,277	9.4
2000	60,541,090	6,088,978	10.1
1999	57,430,185	6,951,517	12.1
1998	53,399,967	4,915,533	9.2
1997	50,627,125	4,405,297	8.7

Source: Annual audited financial statements; Finance Department; 2005-06 fiscal year budget.

## Expenditures

The Town's major expenditure is for education, which represents 50.8% of fiscal year 2005-06 budgeted General Fund expenditures. Other major expenditures and their approximate percentages are: public safety, 10.5%; general government, 5.0%; public works, 9.1%; pension and insurance, 9.9%; and debt service, 8.1%. Town expenditures are summarized for Fiscal Years ended 2001-2005 in "Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund" herein.

## **BUDGETARY PROCEDURE**

The Branford Town Charter defines in Section 5 the Town's budgetary policy. The following is the budgetary sequence and time schedule generally followed by the Town:

<u>By the last week of February.</u>	All boards, commissions and department heads (including the Board of Education) submit their revenue and expenditure estimates for the annual budget to the First Selectman.
<u>By the second week of March.</u>	The First Selectman presents budget estimates to the Board of Finance. The Board of Finance holds public and departmental hearings.
<u>By the second week of April.</u>	The Board of Finance presents its recommended budget to the Representative Town Meeting. The budget is published in book form and in newspaper legal notices.
<u>During the month of April.</u>	The Representative Town Meeting holds departmental and public hearings.
<u>The second Tuesday of May.</u>	The Representative Town Meeting holds the annual budget meeting.
<u>The second Thursday of May.</u>	The Board of Finance sets the mill rate for the new budget.

All unencumbered appropriations lapse at year end, except those for the Capital Projects Fund and certain specific revenue funds. Appropriations for Capital Projects are continued until completion, even when projects extend beyond one or more fiscal years.

## **FINANCIAL STATEMENTS AND ACCOUNTING PROCEDURES**

Under Connecticut General Statutes, the Town maintains outside independent auditors. Since fiscal year 1996 Scully & Wolf, LLP has acted as outside auditor. The most recent annual audit report covers the fiscal year ended in June 30, 2005, which is included in this document and made a part hereof as Appendix A, together with the opinion thereon rendered by Scully & Wolf, LLP, Independent Certified Public Accountants.

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**COMPARATIVE GENERAL FUND OPERATING STATEMENT  
BUDGET AND ACTUAL  
(BUDGETARY BASIS)**

	Fiscal Year 2004-2005			Fiscal Year 2005-06 Adopted Budget
	Amended Budget	Actual	Variance Favorable (Unfavorable)	
<b>REVENUES</b>				
Property Taxes	\$64,847,602	\$65,885,351	\$1,037,749	\$67,358,488
Intergovernmental revenues	3,801,773	3,750,332	( 51,441)	3,691,037
Investment revenues	235,000	596,801	361,801	1,252,836
Licenses, permits and fees	2,983,550	4,414,526	1,430,976	3,932,240
Fund balance brought forward	-0-	-0-	-0-	2,145,000
Other	<u>792,664</u>	<u>1,179,584</u>	<u>386,920</u>	<u>997,648</u>
<b>TOTAL REVENUES</b>	<u>72,660,589</u>	<u>75,826,594</u>	<u>3,166,005</u>	<u>\$79,377,249</u>
<b>EXPENDITURES</b>				
Current:				
General government	4,107,318	3,937,750	169,568	\$ 3,968,824
Public safety	8,156,416	7,880,779	275,637	8,361,412
Public works	6,920,430	6,670,505	249,925	7,219,809
Recreation	873,104	852,396	20,708	893,743
Libraries	988,699	986,445	2,254	1,030,418
Health and welfare	1,434,835	1,395,856	38,979	1,456,218
Education	38,489,012	38,449,145	39,867	40,359,953
Pension and insurance	6,345,874	5,928,028	417,846	7,864,121
Capital Projects	763,425	651,776	111,649	1,807,400
Debt service	<u>6,175,154</u>	<u>6,172,198</u>	<u>2,956</u>	<u>6,415,351</u>
<b>TOTAL EXPENDITURES</b>	<u>74,254,267</u>	<u>72,924,878</u>	<u>1,329,389</u>	<u>\$79,377,249</u>
Excess (deficiency) of revenues over expenditures	<u>( 1,593,678)</u>	<u>2,901,716</u>	<u>4,495,394</u>	
Other Financing Sources (Uses):				
Operating transfers in	7,138	7,138	-0-	
Operating transfers out	<u>( 1,837,873)</u>	<u>( 1,837,873)</u>	<u>-0-</u>	
Net Other Financing Sources (Uses)	<u>( 1,830,735)</u>	<u>( 1,830,735)</u>	<u>-0-</u>	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$( 3,424,413)</u>	<u>\$ 1,070,981</u>	<u>\$4,495,394</u>	

Source: Annual audited financial statements and annual budgets.

# COMPARATIVE BALANCE SHEETS

## GENERAL FUND

FISCAL YEAR ENDED JUNE 30:

	<u>2001</u>	<u>2002</u> (1)	<u>2003</u> (1)	<u>2004</u>	<u>2005</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$19,616,890	\$17,927,750	\$17,397,099	\$15,653,891	\$17,753,158
Receivables (Net)	3,853,191	3,734,673	2,708,194	2,616,928	2,092,749
Intergovernmental receivables	31,225	9,145,729	8,499,127	8,118,461	7,515,468
Due from other funds	380,952	300,053	691,500	1,489,938	509,589
Other receivables	<u>593,244</u>	<u>2,230,673</u>	<u>2,741,182</u>	<u>2,619,887</u>	<u>1,118,722</u>
<b>TOTAL ASSETS</b>	<u>\$24,475,502</u>	<u>\$33,338,878</u>	<u>\$32,037,102</u>	<u>\$30,499,105</u>	<u>\$28,989,686</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	\$ 3,347,270	\$ 2,594,734	\$ 2,885,755	\$ 2,554,174	\$ 1,644,204
Deferred revenue	3,850,181	14,863,582	13,506,447	12,392,881	11,365,649
Due to other funds	7,560,629	3,875,062	1,544,312	1,156,238	1,548,256
Other liabilities	<u>776,294</u>	<u>828,767</u>	<u>630,241</u>	<u>727,435</u>	<u>360,228</u>
<b>TOTAL LIABILITIES</b>	<u>15,534,374</u>	<u>22,162,145</u>	<u>18,566,755</u>	<u>16,830,728</u>	<u>14,918,337</u>
<b>FUND BALANCES</b>					
Reserved for encumbrances	495,336	374,881	531,082	971,793	303,784
Reserved for prepaid items	-0-	-0-	73,314	62,833	74,196
Designated for subsequent expenditures	1,500,000	2,000,000	2,445,000	2,445,000	2,145,000
Unreserved and undesignated	<u>6,945,792</u>	<u>8,801,852</u>	<u>10,420,951</u>	<u>10,188,751</u>	<u>11,548,369</u>
<b>TOTAL FUND BALANCES</b>	<u>8,941,128</u>	<u>11,176,733</u>	<u>13,470,347</u>	<u>13,668,377</u>	<u>14,071,349</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$24,475,502</u>	<u>\$33,338,878</u>	<u>\$32,037,102</u>	<u>\$30,499,105</u>	<u>\$28,989,686</u>

(1) As of June 30, 2003, the Town implemented GASB Statement No. 34. With the implementation of GASB Statement No. 34, the Town has classified assets and liabilities differently in fiscal year 2002-03 than in previous years. For comparisons purpose the Town has restated fiscal year 2001-02 results.

Source: Annual audited financial statements.

# STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

## GENERAL FUND

FISCAL YEARS ENDED JUNE 30:

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>REVENUES</b>					
Property taxes	\$52,770,259	\$56,962,877	\$60,901,360	\$62,404,064	\$65,885,351
Intergovernmental revenue	6,007,277	5,783,023	5,390,976	5,197,520	5,183,466
Charges for services	2,808,191	2,918,987	3,408,367	4,311,739	4,414,526
Income from investments	1,279,851	752,988	430,024	311,113	596,801
Miscellaneous	<u>855,206</u>	<u>1,952,503</u>	<u>1,341,189</u>	<u>769,523</u>	<u>942,576</u>
<b>TOTAL REVENUES</b>	<u>63,720,784</u>	<u>68,370,378</u>	<u>71,471,916</u>	<u>72,993,959</u>	<u>77,022,720</u>
<b>EXPENDITURES</b>					
General government	2,354,997	2,792,717	3,418,644	3,476,948	3,867,833
Public safety	6,871,659	7,124,910	7,319,414	7,498,754	7,942,949
Public works and highway	6,161,153	6,070,480	6,276,967	6,162,869	6,971,722
Health and human services	1,133,298	1,239,551	1,250,873	1,352,980	1,830,492
Parks, recreation and libraries	1,547,273	1,623,665	1,713,185	1,742,071	1,407,384
Pension and insurance	3,785,291	4,468,505	5,223,141	6,512,091	5,925,028
Education	33,431,229	35,155,560	36,856,408	38,222,370	39,882,279
Capital outlay	572,444	1,210,185	576,791	534,884	789,128
Debt service	<u>4,636,045</u>	<u>5,828,918</u>	<u>5,752,705</u>	<u>6,255,535</u>	<u>6,172,198</u>
<b>TOTAL EXPENDITURES</b>	<u>60,493,389</u>	<u>65,514,491</u>	<u>68,388,128</u>	<u>71,758,502</u>	<u>74,789,013</u>
Excess (deficiency) of revenues over (expenditures)	<u>3,227,395</u>	<u>2,855,887</u>	<u>3,083,788</u>	<u>1,235,457</u>	<u>2,233,707</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	42,029	-0-	9,763	29,285	7,138
Proceeds of refunding bonds	12,355,393	-0-	-0-	7,860,000	-0-
Payment to refund bond escrow agent	(12,355,393)	-0-	-0-	( 7,792,340)	-0-
Operating transfers out	<u>( 1,418,697)</u>	<u>( 620,282)</u>	<u>( 799,937)</u>	<u>( 1,134,372)</u>	<u>( 1,837,873)</u>
Total other financing sources (uses)	<u>( 1,376,668)</u>	<u>( 620,282)</u>	<u>( 790,174)</u>	<u>( 1,037,427)</u>	<u>( 1,830,735)</u>
Net change in fund balance	1,850,727	2,235,605	2,293,614	198,030	402,972
Fund Balance (deficit), July 1	<u>7,090,401</u>	<u>8,941,128</u>	<u>11,176,733</u>	<u>13,470,347</u>	<u>13,668,377</u>
Fund Balance (deficit), June 30	<u>\$ 8,941,128</u>	<u>\$11,176,733</u>	<u>\$13,470,347</u>	<u>\$13,668,377</u>	<u>\$14,071,349</u>

Source: Annual audited financial statements.



# COMPARATIVE BALANCE SHEETS

## CAPITAL PROJECTS FUND

FISCAL YEARS ENDED JUNE 30:

	<u>2001</u>	<u>2002</u>	<u>2003</u> (1)	<u>2004</u> (1)	<u>2005</u> (1)
<b>ASSETS</b>					
Cash and Cash equivalents	\$ 302,306	\$ 486,129	\$ 886,978	\$ 547,362	\$ 278,585
Intergovernmental receivables	4,456	86,147	17,910	17,225	450,000
Due from other funds	<u>7,310,363</u>	<u>3,979,032</u>	<u>822,836</u>	<u>509,636</u>	<u>1,209,681</u>
<b>TOTAL ASSETS</b>	<u>\$ 7,617,125</u>	<u>\$ 4,551,308</u>	<u>\$1,727,724</u>	<u>\$1,074,223</u>	<u>\$1,938,266</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 2,098,380	\$ 1,176,684	\$ 317,668	\$ 396,827	\$ 221,143
Due to other funds	19,422	59,520	1,630	1,465,139	364,516
Deferred revenue	-0-	-0-	-0-	10,000	10,000
Clean water notes payable	12,134,148	18,389,521	-0-	-0-	-0-
Bonds and notes payable	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>3,605,000</u>
<b>TOTAL LIABILITIES</b>	<u>14,251,950</u>	<u>19,625,725</u>	<u>319,298</u>	<u>1,871,966</u>	<u>4,200,659</u>
<b>FUND BALANCES</b>					
Reserved for encumbrances	8,124,132	3,631,296	109,025	71,902	2,162,794
Designated	1,966,672	1,902,075	-0-	-0-	-0-
Unreserved:					
Undesignated	<u>(16,725,629)</u>	<u>(20,607,788)</u>	<u>1,299,401</u>	<u>( 869,645)</u>	<u>(4,425,187)</u>
<b>TOTAL FUND BALANCES</b>	<u>( 6,634,825)</u>	<u>(15,074,417)</u>	<u>1,408,426</u>	<u>( 797,743)</u>	<u>(2,262,393)</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 7,617,125</u>	<u>\$ 4,551,308</u>	<u>\$1,727,724</u>	<u>\$1,074,223</u>	<u>\$1,938,266</u>

(1) As of June 30, 2003, the Town implemented GASB Statement No. 34. With the implementation of GASB Statement No. 34, the Town has classified assets and liabilities differently in fiscal year 2002-03 than in previous years.

Source: Annual audited financial statements.

# STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

## CAPITAL PROJECTS FUND

FISCAL YEARS ENDED JUNE 30:

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>REVENUES</b>					
Intergovernmental revenues	\$ 2,259,536	\$ 1,239,490	\$ 75,000	\$ -0-	\$ 450,000
Investment income	15,887	4,321	4,534	3,129	15,357
Miscellaneous revenues	<u>150,097</u>	<u>4,692</u>	<u>7,876</u>	<u>845</u>	<u>157</u>
<b>TOTAL REVENUES</b>	<u>2,425,520</u>	<u>1,248,503</u>	<u>87,410</u>	<u>3,974</u>	<u>465,514</u>
<b>EXPENDITURES</b>					
General government	-0-	-0-	-0-	300,250	-0-
Capital outlay	14,758,469	10,481,240	4,427,133	3,338,044	2,671,707
Debt Service	<u>-0-</u>	<u>-0-</u>	<u>737,048</u>	<u>-0-</u>	<u>-0-</u>
<b>TOTAL EXPENDITURES</b>	<u>14,758,469</u>	<u>10,481,240</u>	<u>5,164,181</u>	<u>3,638,294</u>	<u>2,671,707</u>
Excess (deficiency) of revenues over expenditures	<u>(12,332,949)</u>	<u>( 9,232,737)</u>	<u>( 5,076,771)</u>	<u>( 3,634,320)</u>	<u>( 2,206,193)</u>
<b>OTHER FINANCING SOURCES:</b>					
Proceeds of Notes and Bonds	-0-	-0-	-0-	-0-	-0-
Operating transfers in	1,172,000	794,052	629,617	502,000	853,391
Operating transfers (out)	( 42,029)	( 907)	-0-	( 29,285)	( 111,848)
Issuance of leases	-0-	-0-	-0-	955,436	-0-
Loan Proceeds	<u>11,540,000</u>	<u>-0-</u>	<u>20,929,997</u>	<u>-0-</u>	<u>-0-</u>
Total other financing sources (uses)	<u>12,669,971</u>	<u>793,145</u>	<u>21,559,614</u>	<u>1,428,151</u>	<u>741,543</u>
Net change in fund balances	337,022	( 8,439,592)	16,482,843	( 2,206,169)	( 1,464,650)
Fund Balance - Beginning of Year	<u>( 6,971,847)</u>	<u>( 6,634,825)</u>	<u>(15,074,417)</u>	<u>1,408,426</u>	<u>( 797,743)</u>
Fund Balance - End of Year	<u>\$( 6,634,825)</u>	<u>\$(15,074,417)</u>	<u>\$ 1,408,426</u>	<u>\$( 797,743)</u>	<u>\$( 2,262,393)</u>

Source: Annual audited financial statements.

# COMPARATIVE BALANCE SHEETS

## SPECIAL REVENUE FUND

FISCAL YEARS ENDED JUNE 30:

	<u>2001</u>	<u>2002</u>	<u>2003</u> (1)	<u>2004</u> (1)	<u>2005</u> (1)
<b>ASSETS</b>					
Cash and cash equivalents	\$1,757,357	\$2,281,780	\$2,274,400	\$2,693,999	\$3,835,889
Receivables (net)	3,282,626	2,725,695	2,679,463	2,824,564	2,625,390
Intergovernmental receivables	104,127	39,637	236,933	176,578	169,846
Due from other funds	262,529	36,091	599,827	544,088	339,581
Inventory	5,230	8,794	7,161	10,342	12,765
Other receivables	<u>55,896</u>	<u>45,910</u>	<u>636,351</u>	<u>-0-</u>	<u>-0-</u>
<b>TOTAL ASSETS</b>	<u>\$5,467,765</u>	<u>\$5,137,907</u>	<u>\$6,434,135</u>	<u>\$6,249,571</u>	<u>\$6,983,471</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 348,215	\$ 488,166	\$ 359,992	\$ 424,550	\$ 216,938
Deferred revenue	3,282,904	2,734,790	3,354,217	2,858,264	2,538,484
Due to other funds	<u>362,676</u>	<u>241,557</u>	<u>744,861</u>	<u>82,961</u>	<u>130,384</u>
<b>TOTAL LIABILITIES</b>	<u>3,993,795</u>	<u>3,464,513</u>	<u>4,459,070</u>	<u>3,365,775</u>	<u>2,885,806</u>
<b>FUND BALANCES</b>					
Reserved for encumbrances	-0-	-0-	75,200	-0-	-0-
Reserved for inventory	5,230	8,794	7,161	10,342	12,765
Unreserved:					
Designated	-0-	81,228	63,376	-0-	-0-
Undesignated	<u>1,468,740</u>	<u>1,583,372</u>	<u>1,829,328</u>	<u>2,873,454</u>	<u>4,084,900</u>
<b>TOTAL FUND BALANCES</b>	<u>1,473,970</u>	<u>1,673,394</u>	<u>1,975,065</u>	<u>2,883,796</u>	<u>4,097,665</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$5,467,765</u>	<u>\$5,137,907</u>	<u>\$6,434,135</u>	<u>\$6,249,571</u>	<u>\$6,983,471</u>

(1) As of June 30, 2003, the Town implemented GASB Statement No. 34. With the implementation of this new accounting standard, the Town has designated the Sewer Assessment fund as a major governmental fund and all other Special Revenue funds are reported as nonmajor governmental funds. For comparison purposes, those funds are combined above. Also, with implementation of GASB Statement No. 34, the Town has classified assets and liabilities differently in fiscal year 2002-03 than in previous years.

(2) Restated.

Source: Annual audited financial statements.

# STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

## SPECIAL REVENUE FUND

FISCAL YEARS ENDED JUNE 30:

	<u>2001</u>	<u>2002</u>	<u>2003</u> (1)	<u>2004</u> (1)	<u>2005</u> (1)
<b>REVENUES</b>					
Assessments	\$ 939,290	\$1,069,443	\$ 949,776	\$ 827,301	\$ 678,240
Intergovernmental revenue	2,335,855	3,218,265	3,588,993	2,709,697	3,491,067
Charges for services	1,327,960	1,734,712	1,720,173	1,987,140	2,007,520
Investment income	85,252	32,729	29,154	20,837	52,796
Miscellaneous Revenue	<u>628,249</u>	<u>445,429</u>	<u>565,308</u>	<u>251,415</u>	<u>420,820</u>
<b>TOTAL REVENUES</b>	<u>5,316,606</u>	<u>6,500,578</u>	<u>6,853,404</u>	<u>5,796,390</u>	<u>6,650,443</u>
<b>EXPENDITURES</b>					
Current:					
General government	33,063	488,749	474,055	88,845	404,687
Public safety	191,899	201,632	202,210	232,551	366,889
Public works and highway	295,709	431,741	750,864	348,638	715,927
Parks, recreation and libraries	254,117	474,597	286,777	541,263	322,429
Health and human services	1,165,948	584,949	816,589	366,467	394,107
Education	2,662,058	3,405,857	3,514,059	3,570,237	3,966,639
Debt service	<u>972,947</u>	<u>924,485</u>	<u>894,287</u>	<u>372,030</u>	<u>355,086</u>
<b>TOTAL EXPENDITURES</b>	<u>5,575,741</u>	<u>6,512,010</u>	<u>6,938,841</u>	<u>5,520,031</u>	<u>6,525,764</u>
Excess (deficiency) of revenues over expenditures	<u>( 259,135)</u>	<u>( 11,432)</u>	<u>( 85,437)</u>	<u>276,359</u>	<u>124,679</u>
<b>OTHER FINANCING SOURCES:</b>					
Operating transfer in	246,697	215,300	356,754	632,372	1,089,192
Operating transfers (out)	<u>-0-</u>	<u>( 4,444)</u>	<u>( 196,197)</u>	<u>-0-</u>	<u>-0-</u>
Net other financial sources (uses)	<u>246,697</u>	<u>210,856</u>	<u>160,557</u>	<u>632,372</u>	<u>1,089,192</u>
Net change in fund balances	( 12,438)	199,424	75,120	908,731	1,213,871
Fund Balance - Beginning of Year	<u>1,486,408</u>	<u>1,473,970</u>	<u>1,899,945</u> (2)	<u>1,975,065</u>	<u>2,883,794</u> (2)
Fund Balance - End of Year	<u>\$1,473,970</u>	<u>\$1,673,394</u>	<u>\$1,975,065</u>	<u>\$2,883,796</u>	<u>\$4,097,665</u>

(1) As of June 30, 2003, the Town implemented GASB Statement No. 34. With the implementation of this new accounting standard, the Town has designated the Sewer Assessment fund as a major governmental fund and all other Special Revenue funds are reported as nonmajor governmental funds. For comparison purposes, those funds are combined above. Also, with implementation of GASB Statement No. 34, the Town has classified revenues and expenditures differently in fiscal year 2002-03 than in previous years.

(2) Restated.

Source: Annual audited financial statements.

## EMPLOYEE COLLECTIVE BARGAINING

As of the date of this Official Statement, the Town employed 718 persons. The following is a breakdown of employee representation by collective bargaining agent and the dates of expiration of the various collective bargaining agreements:

<u>Employees</u>	<u>Organization</u>	<u>Number Of Employees</u>	<u>Contract Expiration Date</u>
<b><u>General Government</u></b>			
Dispatchers	National Association of Government Employees	11	6/30/05 (1)
Municipal	AFSCME, AFL-CIO, Council # 4, Local #1303-90	22	6/30/07
Police Department	IBPO, Local # 459	48	6/30/08
Fire Department	International Association of Firefighters, Local # 2533	31	6/30/07
Recreation	AFSCME, AFL-CIO Council # 4, Local # 1303-83,	5	6/30/07
Public Works	AFSCME, AFL-CIO Council # 4, Local # 1303-68,	20	6/30/07
Treatment plant	CILU	<u>12</u>	6/30/07
	Total Organized	149	
	Non-Unionized	<u>62</u>	
	Sub-total General Government	<u>211</u>	
<b><u>Board of Education</u></b>			
Administrators	Branford Administrators Organization	14	6/30/06 (1)
Certified	Branford Education Association	296	6/30/06 (1)
Nurses	AFSCME AFL-CIO # 4 Local 1303-365	11	6/30/08
Custodians	AFSCME AFL-CIO # 4 Local 1303	<u>33</u>	6/30/07
Teachers			
	Total Organized	354	
	Non-Unionized	<u>153</u>	
	Sub-total Board of Education	<u>507</u>	
Total Town Employees		<u>718</u>	

(1) In negotiations.

Connecticut General Statutes Sections 7-473c, 7-474, and 10-153a to 10-153n provide a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certified teachers and certain other employees. The legislative body of a municipality may reject an arbitration panel's decision by a two-thirds majority vote. The State of Connecticut and the employee organization must be advised in writing of the reasons for rejection. The State then appoints a new panel of either one or three arbitrators to review the decisions on each of the rejected issues. The panel must accept the last best offer of either of the parties. In reaching its determination, the arbitration panel gives priority to the public interest and the financial capability of the municipal employer, including consideration of other demands on the financial capability of the municipal employer. For binding arbitration of teachers' contracts, in assessing the financial capability of a municipal entity, there is an irrefutable presumption that a budget reserve of 5% or less is not available for payment of the cost of any item subject to arbitration. In light of the employer's financial capability, the panel considers prior negotiations between the parties, the interests and welfare of the employee group, changes in the cost of living, existing employment conditions, and the wages, salaries, fringe benefits and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits.

## EMPLOYEE PENSION SYSTEMS

Town full-time employees, with the exception of the Police Department employees, Volunteer Firemen and certified teachers and administrators, participate in the State of Connecticut Municipal Employees Retirement Fund ("MERF"), a multiple-employer public employee retirement system. Certified teachers and administrators are members of the State of Connecticut Teachers Retirement Board. The Police and Volunteer Firemen's Retirement Plans are single-employer, contributory, defined benefit, public employee retirement systems ("PERS") established and administered by the Town. For further details on the Plans, see Appendix A, Page A-37, Notes to the Financial Statements.

Based upon a July 1, 2005 actual valuation, the actuarial value of assets and actuarial liabilities for the PERS plan were as follows:

### Schedule of Funding Progress

Actuarial Valuation July 1	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (c)	Funded Ratio (a) / (b)
1992	\$ 1,537,248	\$ 7,395,440	\$(5,858,192)	20.8%
1994	2,775,275	8,589,565	(5,814,290)	32.3
1996	4,315,682	10,044,614	(5,728,932)	43.0
1998	5,753,024	10,386,258	(4,633,234)	55.4
2000	8,336,451	11,542,336	(3,205,885)	72.2
2002	9,550,035	13,326,943	(3,776,908)	71.7
2003	9,593,076	12,551,982	(2,958,906)	76.4
2005	11,206,696	15,525,603	(4,318,907)	72.2

### Schedule of Employer Contributions

Fiscal Year	Actuarial Required Contribution	Actual Contribution	Percentage Contributed
1993	\$735,478	\$ 600,000	81.6%
1994	750,130	700,000	93.3
1995	791,4254	700,000	88.4
1996	810,000	700,000	86.4
1997	797,915	770,000	96.5
1998	734,956	756,269	102.9
1999	755,000	769,345	101.9
2000	670,195	719,119	107.3
2001	642,000	659,976	102.8
2002	665,040	694,967	104.5
2003	751,507	754,273	100.4
2004	490,583	1,765,000	359.8
2005	502,901	675,000	134.2
2006 (1)	707,592	675,000	95.4
2007 (2)	724,950	724,950	100.0

(1) Fiscal year 2005-06 adopted budget.

(2) Fiscal year 2006-07 proposed budget.

For further details on the plans, see Appendix A, "Notes to General Purpose Financial Statements".

## **LEGAL REQUIREMENTS FOR APPROVAL OF BORROWING**

Under Sections 2, 7 and 11 of the Town Charter, bond authorizations are accomplished through the passage of an appropriation and bonding authorization by the Representative Town Meeting (the "RTM"). An appropriation, introduced by the requesting authority, is first introduced to the Board of Finance. The Board of Finance must approve the authorization and recommend the proposal to the RTM. The RTM, after appropriate public notice, votes to approve or disapprove the proposal and appropriate the required funds and authorize the issuance of bonds or notes to meet the appropriation. Such RTM action is subject to referendum approval if a sufficient petition is filed within 15 days of the RTM's adjournment.

## **INVESTMENT POLICY AND PRACTICES**

Under Connecticut General Statutes Section 7-400, 7-401 and 7-402, the Town may invest in (a) obligations of the United States of America, including joint and several obligations of the Federal Home Loan Mortgage Association, the Federal National Mortgage Association, the Federal Government National Mortgage Association, the Federal Savings and Loan Insurance Corporation, obligations of the United States Postal Service, all the federal home loan banks, all federal land banks, the Tennessee Valley Authority, or any other agency of the United States government (b) money market and mutual funds investing in such obligations or repurchase agreements fully collateralized by such obligations and (c) certain state and municipal bonds and notes, and may make deposits with certain "qualified public depositories".

The Town's investment practices have been to invest in certificates of deposit, short-term repurchase agreements, demand accounts and the State of Connecticut Short Term Investment Fund ("STIF"). The Town does not invest in derivative investment products.

## **BOND RATINGS**

The Town's current bond rating has recently been upgraded to "Aa2" from "Aa3" by Moody's Investors Service, Inc. ("Moody's") and has recently been reaffirmed as "AA+" by Standard and Poor's ("S&P"). Such ratings reflect only the views of such rating agencies and any explanation of the significance of such ratings may be obtained from Moody's and S&P at the following addresses: Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007, and Standard and Poor's Corporation: 55 Water Street, New York, New York 10041. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by the agency if, in the judgment of such rating agency, circumstances so warrant. A revision or withdrawal of such ratings may have an effect on the market price of the Town's bonds and notes, including the Bonds.

## **LITIGATION**

The Town of Branford, its officers, employees, boards and commissions are defendants in various lawsuits. Following consultation with the Town Attorney and other attorneys advising the Town, Town officials are of the opinion that all pending litigation will not be finally determined so as to result individually or in the aggregate in a final judgment against the Town which would materially adversely affect its financial position.

## **FINANCIAL ADVISOR**

The Town has retained Independent Bond and Investment Consultants LLC of Madison, Connecticut, as financial advisor in connection with the issuance and sale of the Bonds. Although Independent Bond and Investment Consultants LLC has assisted in the preparation of the Official Statement, Independent Bond and Investment Consultants LLC is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. Independent Bond and Investment Consultants LLC is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

## **DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS**

Upon delivery of the Bonds, the original purchaser will be furnished with the following:

1. A Signature and No Litigation Certificate stating that at the time of delivery no litigation is pending or threatened effecting the validity of the Bonds or the levy or collection of taxes to pay them;
2. A certificate on behalf of the Town, signed by the Selectmen, or a majority of them, and Treasurer, which will be dated the date of delivery and attached to a signed copy of the Official Statement, and which will certify to the best of said officials' knowledge and belief, that at the time the Bond Purchase Agreement for the Bonds was signed and as of the closing date, the descriptions and statements in the Official Statement relating to the Town of Branford and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the Town from that set forth in or contemplated by the Official Statement;
3. A receipt for the purchase price of the Bonds;
4. The approving opinion of Day, Berry & Howard LLP, of Hartford, Connecticut;
5. An executed Continuing Disclosure Agreement for the Bonds in substantially the form attached to the Official Statement as Appendix C; and
6. Within seven business days of the bid opening, the Town will furnish the purchaser of the Bonds 100 copies of the Official Statement, as prepared by the Town. Additional copies and/or printing of underwriting information may be obtained by the original purchaser at its own expense by arrangement with the printer.

A record of the proceedings taken by the Town in authorizing the Bonds will be kept on file at the principal office of U.S. Bank National Association, of Hartford, Connecticut and will be available for examination upon reasonable request.

## **AVAILABILITY OF CONTINUING DISCLOSURE INFORMATION**

The Town of Branford prepares, in accordance with State law, annual audited financial statements and is generally required to file such annual audits with the State Office of Policy and Management within six months of the end of its fiscal year. The Town also provides, and expects to continue to provide to Moody's Investors Service and Standard & Poor's Corporation ongoing disclosure in the form of the Annual Audited Report and the Adopted Budgets, and other materials relating to its management and financial condition as may be necessary or requested.

The Town will enter into a Continuing Disclosure Agreement with respect to the Bonds, substantially in the form attached as Appendix C to this Official Statement (the "Continuing Disclosure Agreement"), to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2-12, (i) annual financial information and operating data, (ii) timely notice of the occurrence of certain material events with respect to the Bonds and (iii) timely notice of a failure by the Town to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement for the Bonds. The Underwriter's obligation to purchase the Bonds shall be conditioned upon its receiving, at or prior to the delivery of the Bonds, an executed copy of the Continuing Disclosure Agreement for the Bonds.

The Town has previously undertaken in Continuing Disclosure Agreements entered into for the benefit of holders of certain of its general obligation bonds and notes to provide certain annual financial information and event notices pursuant to Rule 15c2-12(b)(5). To date the Town has not failed to meet any of its undertakings under such agreements, except for inadvertent failures to make a timely provision to the nationally recognized municipal securities information repositories (the "NRMSIRs") by February 28, 2002 of certain annual financial information and operating data for its fiscal year ending June 30, 2001, and to make a timely filing of a material event notice with respect to such late filing of annual financial information and operating data for its fiscal year ending June 30, 2001. The failure to make a timely provision of such information was promptly remedied upon discovery, and such information was submitted to the NRMSIRs on March 6, 2002, and a material event notice with respect to such material events was filed with the NRMSIRs on April 5, 2004.



## ADDITIONAL INFORMATION

Additional information may be obtained upon request from the Office of the Director of Finance at (203) 315-0663 or from Independent Bond and Investment Consultants LLC at (203) 245-8715.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. This Official Statement is not to be constructed as a contract or agreement between the Town and the purchasers or holders of any of the Bonds.

This Official Statement is submitted only in connection with the sale of the Bonds by the Town and may not be reproduced or used in whole or part for any other purpose.

Independent Bond and Investment Consultants LLC, the Town's Financial Advisor, has assisted the Town in the preparation of this Official Statement from information supplied by Town officials and other sources. Independent Bond and Investment Consultants LLC does not assume responsibility for the adequacy or accuracy of the statements made herein and makes no representation that it has independently verified the same.

## TOWN OF BRANFORD, CONNECTICUT

By: / s / Cheryl P. Morris  
**Cheryl P. Morris**  
*First Selectman*

By: / s / John E. Opie  
**John E. Opie**  
*Selectman*

By: / s / Richard W. Sullivan  
**Richard W. Sullivan**  
*Selectman*

By: / s / Peter Banca  
**Peter Banca**  
*Treasurer*

**Dated: January 24, 2006**

## APPENDIX A - FINANCIAL STATEMENTS

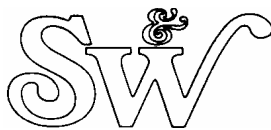
### TOWN OF BRANFORD, CONNECTICUT

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**Appendix A - Financial Statements** - is taken from the Annual Financial Report of the Town of Branford for the Fiscal Year ending June 30, 2005 as presented by the Auditors and does not include all of the schedules or management letter made in such report. A copy of the complete report is available upon request to the Director of Finance, Town of Branford, Connecticut.



*Scully & Wolf, LLP / Certified Public Accountants / Glastonbury, Connecticut 06033*

## INDEPENDENT AUDITORS' REPORT

Board of Finance  
Town of Branford  
Branford, Connecticut

Dear Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Branford, Connecticut, as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Branford, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis and budgetary comparison information on pages A-2 through A-9 and A-42 through A-47 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

October 31, 2005

## **TOWN OF BRANFORD, CONNECTICUT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2005**

This discussion and analysis of the Town of Branford, Connecticut's ("Town") financial performance is provided by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2005. Please read this MD&A in conjunction with the Town's financial statements, Exhibits I to IX. All amounts in this MD&A are expressed in thousands unless otherwise noted.

#### **FINANCIAL HIGHLIGHTS**

- Net assets of our governmental activities increased by \$3,265, or 5.2 percent.
- During the year, the Town had expenses that were \$3,265 less than the \$82,495 generated in tax and other revenues for governmental programs.
- Total cost of all of the Town's programs was \$79,229 with no new programs added this year.
- The General Fund reported a fund balance this year of \$14,071.
- The resources available for appropriation were \$3,166 more than budgeted for the General Fund. Expenditures were kept within spending limits.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities (Exhibits I and II, respectively) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements are presented in Exhibit III to IX. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

#### ***Government-Wide Financial Statements***

The analysis of the Town as a whole begins on Exhibit I and II. The statement of net assets and the statement of activities report information about the Town as a whole and about its activities for the current period. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in them. The Town's net asset, the difference between assets and liabilities, is one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. The reader needs to consider other non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's capital assets, to assess the overall health of the Town.

In the statement of net assets and the statement of activities, the Town reports its activities:

- *Governmental activities* – The Town's basic services are reported here, including education, public safety, public works and highway, parks, recreation and libraries, health and human services, pension and insurance, and general administration. Property taxes, charges for services, and state and federal grants finance most of these activities.

### ***Fund Financial Statements***

The fund financial statements begin with Exhibit III and provide detailed information about the most significant funds – not the Town as a whole. Some funds are required to be established by Charter. However, the Town establishes many other funds to help control and manage financial activities for particular purposes (like the Sewer Assessment Fund) or to show that it is meeting legal responsibilities for using grants, and other money (like grants received from the State of Connecticut). The Town's funds are divided into three categories; governmental, proprietary and fiduciary.

- *Governmental funds (Exhibit III and IV)* – Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.
- *Proprietary funds (Exhibit V, VI, and VII)* – When the Town charges customers for the services it provides, whether to outside customers or to other units of the Town, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities. Internal service funds (a component of proprietary funds) are used to report activities that provide supplies and services for the Town's other programs and activities – such as the Town's Workers' Compensation Fund and Heart and Hypertension Fund.
- *Fiduciary funds (Exhibit VIII and IX)* – The Town is the trustee, or fiduciary, for its employees' pension plan. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the Town's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. These activities are excluded from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Town's combined net assets increased from a year ago increasing from \$62,684 to \$65,949. The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town's governmental activities.

**Table 1**  
*Net Assets*

	<b>Governmental Activities</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
Current and other assets.....	\$ 37,333	\$ 36,324
Capital assets .....	<u>96,147</u>	<u>95,360</u>
Total assets .....	<u>133,480</u>	<u>131,684</u>
Long-term debt outstanding.....	59,467	63,359
Other liabilities .....	<u>8,064</u>	<u>5,641</u>
Total liabilities .....	<u>67,531</u>	<u>69,000</u>
Net assets:		
Invested in capital assets, net of debt .....	40,402	38,138
Restricted.....	230	224
Unrestricted .....	<u>25,317</u>	<u>24,322</u>
Total net assets.....	<u>\$ 65,949</u>	<u>\$ 62,684</u>

Branford experienced an increase in net assets of its governmental activities of 5.2 percent as compared to the prior year. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – changed from \$24,322 at June 30, 2004 to \$25,317 at the end of this year.

This change in unrestricted governmental net assets was primarily due to the investment in capital assets. The net assets invested in capital assets, net of debt increased from \$38,138 to \$40,402. This was the result of significant capital asset acquisition during the year including open space acquisition, fire apparatus and communications upgrades and construction in progress payments related to sewer collection and pump station improvements.

**Table 2**  
***Changes In Net Assets***

	<b>Governmental Activities</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
Revenues:		
Program revenues:		
Charges for services .....	\$ 6,995	\$ 6,722
Operating grants and contributions .....	7,286	6,414
Capital grants and contributions.....	673	270
General revenues:		
Property taxes .....	65,170	61,923
Grants and contributions not restricted to specific purposes .....	1,518	1,627
Unrestricted investment earnings .....	694	358
Other general revenues .....	<u>159</u>	<u>1</u>
Total revenues .....	<u>82,495</u>	<u>77,315</u>
Program expenses:		
General government .....	4,599	4,221
Public safety .....	8,352	7,899
Public works and highway .....	7,912	7,142
Parks, recreation and libraries .....	2,224	2,282
Health and human services.....	1,759	1,740
Education.....	46,506	43,922
Pension and insurance .....	5,719	5,297
Interest and debt service .....	<u>2,158</u>	<u>2,166</u>
Total program expenses .....	<u>79,229</u>	<u>74,669</u>
Increase in net assets .....	<u>\$ 3,266</u>	<u>\$ 2,646</u>

The Town's total revenues were \$82,495. The total cost of all programs and services was \$79,229. Our analysis which follows considers the operations of governmental activities.

### ***Governmental Activities***

The General Fund contributed significantly to the Town's overall increase in net assets. Total revenues were \$3,166 higher than budgeted. Of this amount, \$1,038 resulted from strong property tax collections that include prior year levies, interest and penalties. Taxes on the current levy exceeded the budget by \$718 as the Town experienced its highest collection rate in 15 years. Charges for services produced revenues that exceeded the budget by \$1,431. This increase reflects an increase in ambulance revenues that exceeded projections by \$202. The Town Clerk's Office experienced heavy activity in the number of deeds recorded. In addition, the Town conservatively anticipated Town Clerk conveyance fees amidst rumors that the legislation that increased the fee in March of 2003 would sunset, resulting in an increase of \$620 over budget. Increased activity related to the disposal of contaminated soil, septage, North Branford sewer fees and building permit activity also contributed to the increases in this category.

Expenditures were \$1,329 less than anticipated due to vacancies in various departments that produced savings in direct wages and pension costs. Other areas of the budget that were below budgeted estimates included police extra duty wages, and insurance.

Table 3 presents the cost of each of the Town's five largest programs – police, fire, public works, education, and parks and recreation – as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

**Table 3**  
***Governmental Activities***

	<u><b>Total Cost of Services</b></u>		<u><b>Net Cost of Services</b></u>	
	<u><b>2005</b></u>	<u><b>2004</b></u>	<u><b>2005</b></u>	<u><b>2004</b></u>
General government .....	\$4,599	\$4,221	\$2,738	\$2,559
Public safety .....	\$8,352	\$7,899	\$6,639	\$6,115
Public works and highway .....	\$7,912	\$7,142	\$5,964	\$5,482
Education .....	\$46,506	\$43,922	\$39,585	\$37,302
Pension and insurance .....	\$5,719	\$5,297	\$5,510	\$5,153

## **TOWN FUNDS FINANCIAL ANALYSIS**

### ***Governmental Funds***

As the Town completed the year, its governmental funds (as presented in the balance sheet – Exhibit III) reported a combined fund balance of \$16,137, which is an increase from last year's total of \$15,978. Included in this year's total change in fund balance, is an increase of \$403 in the Town's General Fund. The primary reasons for the General Fund's increase are reflected in the governmental activities analysis highlighted above.



### ***General Fund Budgetary Highlights***

The Town's general fund budget remained essentially unchanged. Actual final expenditures plus encumbrances totaled \$74,763. Unexpended appropriations in public safety, public works, and pension and insurance coupled with smaller unexpended balances from other areas produced a favorable variance of \$1,329. During the year, the Town was able to appropriate an additional \$700,000 to augment its reserve for other post employment benefits. Revenues totaled \$75,834 and as stated earlier this amount reflects strong tax collections and charges for services.

The Town's General Fund balance of \$14,071 reported on Exhibit III differs from the General Fund's budgetary fund balance of \$13,693. This is principally because budgetary fund balance does not include \$378 of prepaid items and outstanding encumbrances at year end which are reported as expenditures for budgetary purposes.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### ***Capital Assets***

At June 30, 2005, the Town had \$96,147 invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment – Table 4. This amount represents a net increase (including additions and deductions) of \$787, or 0.8 percent, over last year.

**Table 4**  
***Capital Assets at Year-end (Net of Depreciation)***

	<b>Governmental Activities</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
Land .....	\$ 8,752	\$ 7,165
Land improvements .....	464	444
Buildings.....	52,166	53,412
Machinery and equipment .....	8,964	9,114
Construction in progress.....	25,697	25,225
Infrastructure .....	<u>104</u>	<u>          </u>
Totals .....	<u>\$96,147</u>	<u>\$95,360</u>

The Town has not implemented the provisions of the GASB Statement #34 which require the reporting of infrastructure assets acquired prior to July 1, 2002. Infrastructure reporting will begin by the transitional due date.

The Town's fiscal-year 2005-06 budget as adopted does not contemplate any major additions to capital assets. However, the town anticipates authorizing bonds during the 2005-06 fiscal year for various sanitary and pump station improvements as well as open space and school roofs. In addition, the wastewater treatment plant expenditures will move from the construction in progress category to the building category. More detailed information about the Town's capital assets is presented in Note 1 and Note 6 to the financial statements.

### ***Long-term debt***

At June 30, 2005 the Town had \$51,262 in bonds and notes outstanding versus \$55,611 last year – a decrease of \$4,349 or 7 percent.

The Town's general obligation bond rating continues to carry the Aa3, a rating that has been assigned by Moody's a national rating agency since 2001. In addition the Town's rating from Standard & Poor's increased from AA to AA+ in FY 2004. The State limits the amount of general obligation debt that cities can issue based on formula determined under State Statutes based on type of debt and tax base. The Town's outstanding general obligation debt is significantly below this state-imposed limit of \$469,973.

Other obligations include accrued vacation pay and sick leave. More detailed information about the Town's long-term liabilities is presented in Note 8 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Town's elected and appointed officials considered many factors when adopting the fiscal-year 2005-2006 budget and corresponding tax rates. The Branford economy compared favorably to the State and the region as measured by a current unemployment rate of 4.2 percent. This compares favorably to a State rate of 5.2 percent and a national rate of 5.1 percent. Town officials confronted a number of unique and vexing challenges while formulating the budget including, but not limited to, the uncertainty with regard to State assistance and a continued shift in the tax burden to residential property owners exacerbated by the recent revaluation; increasing energy costs and tax appeals. Faced with these challenges, Town officials felt compelled to constrain the increase in the Town's tax requirements. In developing the budget the Town established the following budget guidelines that provided the rational underpinnings for many of the budgetary decisions: maintain the current level of existing services while refraining from adding new programs; fund current and future liabilities; preserve the undesignated fund balance; continue to invest in new vehicles and equipment to ensure continued service delivery; preserve the Town's investment in its properties and buildings; and to continue to fund many capital items on a pay-as-you-go basis so as to limit the amount of outstanding debt.

As a result of these efforts and adherence to the above guidelines, Branford adopted a General Fund budget of \$79,377 for 2005-2006 which represents an increase of \$4,271 or 5.7 percent as compared to the 2004-2005 amended budget. Increased property taxes (benefiting from the 2004 rate increases and increases in assessed valuations) of \$510 will offset a portion of this amount coupled with an appropriated fund balance of \$2,145.

## **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, Town of Branford, PO Box 150, 1019 Main Street, Branford, Connecticut 06405.

TOWN OF BRANFORD, CONNECTICUTSTATEMENT OF NET ASSETS  
JUNE 30, 2005

	GOVERNMENTAL ACTIVITIES
<hr/>	
ASSETS:	
Cash and cash equivalents .....	\$ 23,129,565
Investments .....	201,223
Receivables, net .....	13,805,925
Inventory .....	12,765
Prepaid items .....	183,764
Capital assets, net .....	<u>96,147,541</u>
Total assets .....	<u>133,480,783</u>
LIABILITIES:	
Accounts and other payables .....	2,293,896
Unearned revenue .....	1,805,249
Other .....	360,228
Bond anticipation notes .....	3,605,000
Noncurrent liabilities:	
Due within one year .....	6,194,791
Due in more than one year .....	<u>53,272,145</u>
Total liabilities .....	<u>67,531,309</u>
NET ASSETS:	
Invested in capital assets, net of related debt .....	40,402,383
Restricted for Trusts:	
Expendable .....	129,882
Nonexpendable .....	100,420
Unrestricted .....	<u>25,316,789</u>
Total net assets .....	<u>\$ 65,949,474</u>

The accompanying notes are an integral part of these financial statements.

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TOWN OF BRANFORD, CONNECTICUTSTATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005

FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	PROGRAM REVENUES.....		NET (EXPENSE) REVENUE AND CHANGES IN ..NET ASSETS..
			OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
Governmental activities:					
General government .....	\$ 4,599,088	\$1,821,094	\$ 40,267		\$ (2,737,727)
Public safety .....	8,352,368	1,310,837	174,251	\$228,415	(6,638,865)
Public works and highway .....	7,912,327	1,242,231	262,076	444,515	(5,963,505)
Parks, recreation and libraries .....	2,223,696	324,993	581,805		(1,316,898)
Health and human services .....	1,759,452	453,754	698,435		(607,263)
Education .....	46,506,221	1,633,990	5,286,989		(39,585,242)
Pension and insurance .....	5,718,595	208,489			(5,510,106)
Interest and debt service .....	2,157,992		242,234		(1,915,758)
Total governmental activities .....	<u>\$79,229,739</u>	<u>\$6,995,388</u>	<u>\$7,286,057</u>	<u>\$672,930</u>	<u>(64,275,364)</u>
General revenues:					
Property taxes .....					65,170,183
Grants and contributions not restricted to specific programs .....					1,517,362
Unrestricted investment earnings .....					694,279
Miscellaneous .....					<u>159,193</u>
Total general revenues .....					<u>67,541,017</u>
Change in net assets .....					3,265,653
Net assets, July 1, 2004 .....					<u>62,683,821</u>
Net assets, June 30, 2005 .....					<u>\$ 65,949,474</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF BRANFORD, CONNECTICUTGOVERNMENTAL FUNDSBALANCE SHEET  
JUNE 30, 2005

	GENERAL	CAPITAL PROJECTS	SEWER ASSESSMENT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>A S S E T S</u>					
Cash and cash equivalents .....	\$17,753,158	\$ 278,585	\$ 883,115	\$3,075,907	\$21,990,765
Investments .....				201,223	201,223
Receivables (Net) .....	10,652,743	450,000	1,601,652	1,101,530	13,805,925
Due from other funds .....	509,589	1,209,681	106,738	232,843	2,058,851
Inventories .....				12,765	12,765
Prepaid items .....	74,196				74,196
TOTAL .....	\$28,989,686	\$1,938,266	\$2,591,505	\$4,624,268	\$38,143,725
<u>L I A B I L I T I E S A N D F U N D B A L A N C E S</u>					
Liabilities:					
Accounts and other payables .....	\$ 1,644,204	\$ 221,143	\$ 5,353	\$ 213,585	\$ 2,084,285
Due to other funds .....	1,548,256	364,516		130,384	2,043,156
Deferred revenue .....	11,365,649	10,000	1,601,652	936,832	13,914,133
Bond anticipation notes .....		3,605,000			3,605,000
Other .....	360,228				360,228
Total liabilities .....	14,918,337	4,200,659	1,607,005	1,280,801	22,006,802
Fund balances (deficit):					
Reserved .....	377,980	2,162,794		113,185	2,653,959
Unreserved, reported in:					
General Fund .....	13,693,369				13,693,369
Special Revenue Funds .....			984,500	3,100,400	4,084,900
Capital Project Fund .....		(4,425,187)			(4,425,187)
Permanent Funds .....				129,882	129,882
Total fund balances (deficit) .....	14,071,349	(2,262,393)	984,500	3,343,467	16,136,923
TOTAL .....	\$28,989,686	\$ 1,938,266	\$2,591,505	\$4,624,268	
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds .....					96,147,541
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds .....					12,218,452
Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. ....					(149,300)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds .....					(58,404,142)
Net assets of governmental activities .....					\$ 65,949,474

The accompanying notes are an integral part of these financial statements.

TOWN OF BRANFORD, CONNECTICUTGOVERNMENTAL FUNDSSTATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2005

	GENERAL	CAPITAL PROJECTS	SEWER ASSESSMENT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:					
Property taxes .....	\$65,885,351				\$65,885,351
Assessments and interest .....			\$613,456	\$ 64,784	678,240
Intergovernmental .....	5,183,466	\$ 450,000		3,491,067	9,124,533
Charges for services .....	4,414,526			1,557,348	5,971,874
Income on investments .....	596,801	15,357	14,145	49,881	676,184
Miscellaneous .....	942,576	157		870,992	1,813,725
Total revenues .....	77,022,720	465,514	627,601	6,034,072	84,149,907
Expenditures:					
Current:					
General government .....	3,867,833			404,687	4,272,520
Public safety .....	7,942,949			366,889	8,309,838
Public works and highway .....	6,971,722		19,619	696,308	7,687,649
Parks, recreation and libraries .....	1,830,492			323,709	2,154,201
Health and human services .....	1,407,384			396,207	1,803,591
Education .....	39,882,279			3,967,639	43,849,918
Pension and insurance .....	5,925,028				5,925,028
Capital outlay .....	789,128	2,671,707			3,460,835
Debt service .....	6,172,198		294,072	61,014	6,527,284
Total expenditures .....	74,789,013	2,671,707	313,691	6,216,453	83,990,864
Excess (deficiency) of revenues over expenditures .....	2,233,707	(2,206,193)	313,910	(182,381)	159,043
Other financing sources (uses):					
Transfers in .....	7,138	853,391		1,089,192	1,949,721
Transfers out .....	(1,837,873)	(111,848)			(1,949,721)
Total other financing sources (uses) .....	(1,830,735)	741,543		1,089,192	
Net change in fund balances .....	402,972	(1,464,650)	313,910	906,811	159,043
Fund balance (deficit), July 1, 2004 .....	13,668,377	(797,743)	670,590	2,436,656	
Fund balance (deficit), June 30, 2005 .....	\$14,071,349	\$(2,262,393)	\$984,500	\$3,343,467	
Amounts reported for governmental activities in the statement of activities (Exhibit II) are different because:					
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period .....					564,061
In the statement of activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold. This is the amount of loss on disposals .....					(26,062)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds .....					(1,681,818)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceed proceeds .....					3,218,180
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds .....					970,848
Internal service funds are used by management to charge the costs of risk management to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities (Exhibit VI) .....					61,401
Change in net assets of governmental activities (Exhibit II) .....					\$ 3,265,653
The accompanying notes are an integral part of these financial statements.					

TOWN OF BRANFORD, CONNECTICUT

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS  
JUNE 30, 2005

GOVERNMENTAL  
..ACTIVITIES..  
INTERNAL  
SERVICE FUNDS

ASSETS:	
Cash and cash equivalents .....	<u>\$1,138,800</u>
LIABILITIES:	
Accounts and other payables .....	6,889
Risk management claims .....	1,265,516
Due to other funds .....	<u>15,695</u>
Total liabilities .....	<u>1,288,100</u>
NET ASSETS:	
Unrestricted .....	<u>\$ (149,300)</u>

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The accompanying notes are an integral part of these financial statements.



TOWN OF BRANFORD, CONNECTICUTPROPRIETARY FUNDSSTATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2005

	GOVERNMENTAL ..ACTIVITIES.. INTERNAL SERVICE FUNDS
Operating revenues:	
Contributions for benefits .....	\$1,016,000
Other .....	<u>8,873</u>
Total operating revenues .....	<u>1,024,873</u>
Operating expenses:	
Benefit claims .....	913,126
Claims administration .....	<u>77,649</u>
Total operating expenses .....	<u>990,775</u>
Operating income .....	34,098
Nonoperating revenue:	
Income on investments .....	<u>27,303</u>
Change in net assets .....	61,401
Total net assets, July 1, 2004 .....	<u>(210,701)</u>
Total net assets, June 30, 2005 .....	<u>\$ (149,300)</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF BRANFORD, CONNECTICUTPROPRIETARY FUNDSSTATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2005

	GOVERNMENTAL ..ACTIVITIES.. INTERNAL SERVICE FUNDS
Cash flows from (to) operating activities:	
Cash received from operating funds .....	\$1,160,405
Cash payments to providers of benefits and administration .....	(875,470)
Cash received for other .....	<u>8,873</u>
Net cash provided by operating activities .....	293,808
Cash flows from investing activities:	
Income on investments .....	<u>27,303</u>
Net increase in cash and cash equivalents .....	321,111
Cash and cash equivalents, July 1, 2004 .....	<u>817,689</u>
Cash and cash equivalents, June 30, 2005 .....	<u><u>\$1,138,800</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income .....	\$ 34,098
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
(Increase) decrease in receivables .....	115,305
Increase (decrease) in accounts payable .....	<u>144,405</u>
Net cash provided by operating activities .....	<u><u>\$293,808</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF BRANFORD, CONNECTICUTFIDUCIARY FUNDSSTATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2005

	PENSION TRUST FUND	AGENCY FUNDS
ASSETS:		
Cash and cash equivalents .....		\$ 742,477
Investments .....	\$11,597,998	314,763
Accounts receivable .....	<u>4,069</u>	<u>          </u>
Total assets .....	<u>11,602,067</u>	<u>\$1,057,240</u>
LIABILITIES:		
Accounts and other payables .....	88	
Due to students and others .....	<u>          </u>	<u>\$1,057,240</u>
Total liabilities .....	<u>88</u>	<u>\$1,057,240</u>
NET ASSETS:		
Held in trust for pension benefits .....	<u>\$11,601,979</u>	

The accompanying notes are an integral part of these financial statements.

TOWN OF BRANFORD, CONNECTICUTFIDUCIARY FUNDS

STATEMENT OF CHANGES IN PLAN NET ASSETS  
PENSION TRUST FUND  
FOR THE YEAR ENDED JUNE 30, 2005

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Additions:	
Contributions:	
Employer .....	\$ 675,000
Plan members .....	<u>189,696</u>
Total contributions .....	864,696
Investment income:	
Net appreciation in fair value of	
investments .....	\$393,841
Interest and dividends .....	<u>448,364</u>
Net investment income .....	<u>842,205</u>
Total additions .....	1,706,901
Deductions:	
Benefits .....	549,866
Administration .....	<u>48,968</u>
Total deductions .....	<u>598,834</u>
Net increase .....	1,108,067
Net assets held in trust for pension benefits, July 1, 2004 ...	<u>10,493,912</u>
Net assets held in trust for pension benefits, June 30, 2005 ..	<u><u>\$11,601,979</u></u>

The accompanying notes are an  
integral part of these financial statements.

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## **TOWN OF BRANFORD, CONNECTICUT**

### **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005**

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#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Town of Branford (the "Town") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the Town are described below.

##### ***A. Reporting Entity***

The Town is incorporated under the provisions of the Statutes of the State of Connecticut. The Town operates under a Representative Town Meeting/Board of Selectmen form of Government and provides the following services as authorized by its Charter: Administrative, Public Safety, Public Works, Health and Welfare, Recreation, Libraries, Education and Public Improvements.

##### ***B. Government-Wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The various funds included in the financial statements are described below:

##### **Governmental Funds**

Governmental Funds are those through which most governmental functions typically are financed.

*General Fund* - the primary operating fund of the Town. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state and federal grants, licenses, permits, charges for service, and interest income.

*Special Revenue Funds* - account for revenue derived from specific sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities.

*Capital Project Funds* - account for all financial resources used for the acquisition or construction of major capital facilities not being financed by proprietary funds.

*Permanent Funds* - used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town's programs.

### **Proprietary Funds**

Proprietary funds are used to account for activities that are similar to those often found in the private sector. These funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. The following are the Town's proprietary funds:

*Internal Service Funds* - account for the financing of goods or services provided by one department to other departments or agencies of the Town on a cost-reimbursement basis. The Workers' Compensation Fund and the Heart and Hypertension Fund are the Town's internal service funds.

### **Fiduciary Funds**

Fiduciary Funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, and other governments. Fiduciary funds are not included in the government-wide statements. The fiduciary funds are as follows:

*Pension Trust Fund* - accounts for the Branford Retirement System.

*Agency Funds* - are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation.

## **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, charges for services, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received.

The Town reports the following major governmental funds:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.

The Capital Projects Fund is used to account for the financial resources for the acquisition and construction of major capital facilities.

The Sewer Assessment Fund is used to account for the financial resources related to the sewer assessment projects.

Additionally, the Town reports the following fund types:

The Internal Service Fund accounts for the self insured activities of the Town.

The Pension Trust Fund accounts for the activities of the Branford Retirement System, which accumulates resources for pension benefit payments to qualified Town employees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between certain Town's functions because the elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include property taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's internal service funds are charges to customers for benefits. Operating expenses for the internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

#### ***D. Deposits and Investments***

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and certain other investments as described in Note 4. Investments for the Town are reported at fair value.

### ***E. Receivables and Payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”. All trade and property tax receivables are shown net of an allowance for uncollectibles. Allowances for uncollectibles are computed based on historical data.

Property taxes are assessed as of October 1 and billed the following July. Property taxes are payable in two installments on July 1 and January 1. Automobile levies and amounts under \$100 are due in one installment. Motor vehicle supplemental bills are payable on January 1. Payments not received within one month after the due date become delinquent, with interest charged at the rate of 1-1/2% per month. Assessments for real and personal property, excluding motor vehicles, are computed at seventy percent of the market value. Unpaid balances at June 30 are lienied. An amount of \$750,684 has been established as an allowance for uncollectible taxes. At June 30, 2005 this represents 26.4% of all property taxes receivable.

### ***F. Inventories and Prepaid Items***

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### ***G. Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets, (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.



Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

Property, plant, and equipment is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings.....	45
Land improvements .....	20
Infrastructure .....	20-60
Vehicles .....	6-12
Office equipment .....	7-10
Computer equipment .....	5-7

#### ***H. Compensated Absences***

Unused sick leave may be accumulated for certain employees up to a limit ranging from 50 to 225 days, depending upon the contracts in force, for each department in the Town until termination, retirement or death at which time payments will be made. The liability is reported in the government-wide statement of net assets. Payments at termination are charged to the General Fund.

#### ***I. Long-Term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of any significant applicable bond premium or discount. Significant bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### ***J. Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### A. *Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets*

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds”. The details of this \$(58,404,142) difference are as follows:

Bonds payable .....	\$(32,340,000)
Unamortized deferred charges.....	568,404
Clean Water Fund notes .....	(19,490,734)
Accrued interest payable - bonds .....	(169,511)
Landfill closure.....	(1,185,000)
Compensated absences .....	(3,667,882)
Termination benefits.....	(1,208,380)
Capital leases payable.....	(877,828)
Accrued interest payable - leases.....	<u>(33,211)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities .....	<u><u>\$(58,404,142)</u></u>

Another element of that reconciliation states that “certain long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds”. The details of this \$12,218,452 difference are as follows:

Property taxes .....	\$ 1,924,119
Accrued interest on property taxes .....	748,725
Housing loans .....	646,421
School building grants .....	7,044,689
Assessments.....	1,744,930
Net pension asset .....	<u>109,568</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities .....	<u><u>\$12,218,452</u></u>

### B. *Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities*

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense”. The details of this \$564,061 difference are as follows:

Capital outlay .....	\$ 3,008,140
Depreciation expense.....	<u>(2,444,079)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities .....	<u>\$ 564,061</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities”. The details of this \$3,218,180 difference are as follows:

Principal repayments:	
Lease payments.....	\$ 77,608
General obligation debt.....	3,475,000
Clean Water notes .....	961,136
Termination benefits .....	(1,208,380)
Deferred charges on refunding.....	<u>(87,184)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities .....	<u>\$ 3,218,180</u>

Another element of that reconciliation states that “some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in governmental funds”. The details of this \$(1,681,818) difference are as follows:

Property tax receivables.....	\$ (277,597)
Accrued interest receivable.....	(437,570)
Housing loans receivable .....	(29,595)
School Building grants.....	(826,949)
Assessments .....	(359,231)
Contributions from developers .....	<u>249,124</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities .....	<u>\$(1,681,818)</u>

### 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### A. Budgetary Information

A budget for the General Fund and certain Special Revenue Funds are authorized annually by the Town. The Board of Finance recommends and the Representative Town Meeting (RTM) approves the budget.

The Town adheres to the following procedures in establishing the budgetary data reported in the financial statements for the General Fund and specific Special Revenue Funds (Sewer Assessment, Water Assessment, Open Space Fund, Board of Education Program Fund and Day Care). As required by Town Charter, the Board of Finance holds a public hearing to review and discuss the proposed annual Town budget no later than two weeks before the Annual Budget Meeting of the Representative Town Meeting (RTM). The Board of Finance then recommends and submits a formal annual appropriations budget to the RTM. The RTM must take action on the adoption of the appropriations recommended by the Board of Finance at the Annual Budget Meeting, which must be held no later than the Friday following the

second Tuesday of May. Thereafter, but no later than June 1, the Board of Finance shall determine the rate of taxation for the ensuing fiscal year.

The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the line item level for all budgeted funds. The Board of Finance, upon the request of individual departments, offices or agencies, may approve and must recommend all transfers to the Representative Town Meeting (RTM). No recommended transfer by the Board of Finance shall be effective unless approved by the RTM. There were supplemental appropriations of \$986,551 of this year.

All unencumbered appropriations lapse at year-end except for those in the Capital Projects Fund. Appropriations for these funds are continued until completion of the applicable projects, which often last more than one fiscal year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

## ***B. Deficit Fund Equity***

### **Fund Balance Deficit**

The Capital Projects Fund had a deficit fund balance of \$2,262,393. The deficit will be funded by future transfers, grants or bonding.

### **Fund Deficits**

The following fund had deficit net asset as of June 30, 2005:

<b><u>Fund</u></b>	<b><u>Amount</u></b>
Internal Service Fund:	
Worker's Compensation Fund.....	\$110,940
Heart and Hypertension Fund.....	\$38,360

The Internal Service Fund net asset deficits will be funded by future General Fund contributions.

## **4. CASH, CASH EQUIVALENTS AND INVESTMENTS**

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be made in a "qualified public depository" as defined by Statute, or, in amounts not exceeding the Federal Deposit Insurance Corporation insurance limit in an "out of state bank", as defined by the Statutes, which is not a "qualified public depository".

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: (1) obligations of the United States and its agencies; (2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and (3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds does not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF) and the State Tax Exempt Proceeds Fund (TEPF). These investment pools are under the control of the State Treasurer, with oversight provided by the Treasurer's Cash Management Advisory Board, and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain a market-average rate of return throughout budgetary and economic cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

#### **A. Cash and Cash Equivalents**

The following is a summary of cash and cash equivalents at June 30, 2005:

Deposits:	
Demand accounts .....	\$ 9,559,274
Certificates of deposit.....	<u>7,006,939</u>
Total deposits.....	16,566,213
Petty cash accounts .....	400
Cash equivalents:	
State Tax Exempt Proceeds Fund (TEPF).....	117
State Short-Term Investment Fund (STIF).....	6,253,503
MBIA, Inc. – Cooperative Liquid Assets Securities System (CLASS)	<u>1,051,809</u>
TOTAL CASH AND CASH EQUIVALENTS.....	<u><u>\$23,872,042</u></u>

#### **Deposits**

At June 30, 2005 the carrying amount of the Town deposits was \$16,566,213 and the bank balance was \$19,193,095.

*Custodial Credit Risk* – Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. Of the June 30, 2005 bank balance, \$900,392 was covered by Federal Depository Insurance. Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with Federal law) in an amount equal to a defined percentage of its public deposits based upon the depository's risk based capital ratio. A minimum of \$1,900,981, based on June 30, 2005 deposits, was collateralized (collateral held by the pledging bank's trust department is not in the Town's name). The balance of deposits of \$16,391,722 was uninsured and uncollateralized.

#### **Cash Equivalents**

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2005 the Town's cash equivalents amounted to \$7,305,429. The following table provides a summary of the Town's cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations.

	<b><u>Standard and Poor's</u></b>	<b><u>Moody's Investor Service</u></b>	<b><u>Fitch Ratings</u></b>
State Short-Term Investment Fund (STIF) .....	AAAm		
State Tax Exempt Proceeds Fund* .....			
MBIA, Inc. – Cooperative Liquid Assets Securities System (CLASS).....	AA	Aaa	AAA

\*Not rated

## ***B. Investments***

Investments as of June 30, 2005 in all funds are as follows:

<b><u>Investment Type</u></b>	<b><u>Fair Value</u></b>	<b><u>Weighted Average Maturity (Years)</u></b>
Interest Bearing Investments:		
Corporate bonds .....	\$ 4,793,428	4.82
U.S. government obligations.....	396,441	22.63
Other debt securities .....	2,261,596	26.75
Other Investments:		
Common stock .....	25,748	
Police Pension Fund and Volunteer Firemen's Pension:		
Open ended mutual funds and exchange traded funds ..	<u>4,636,771</u>	
TOTAL.....	<u><u>\$12,113,984</u></u>	

Portfolio weighted average maturity for interest bearing investments .....	12.41
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*Interest Rate Risk* – The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk – Investments* - As indicated above, State Statutes limit the investment options of cities and towns. The Town has no investment policy that would further limit its investment choices. The following table provides a summary of the Town's investments (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations.

	<b><u>Fair Value</u></b>	<b><u>Standard and Poor's</u></b>
Corporate bonds .....	\$529,361	AAA
	\$241,250	AA
	\$586,114	AA-
	\$1,995,923	A+
	\$1,332,795	A
	\$107,985	A-
Other debt securities .....	\$2,261,596	AAA

*Concentration of Credit Risk* –The Town's investment policy does not allow for an *investment* in any one private corporation debt issuer that is in excess of five percent of the Town's total investments.

*Custodial Credit Risk* – Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the Town or that sells investments to or buys them for the Town), the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2005, the Town had uninsured and unregistered securities held by the counterparty, or by its trust department or agent valued at \$5,215,617 that were not in the Town's name.

## 5. RECEIVABLES

Receivables as of year end for the Town's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Capital Projects</u>	<u>Sewer Assessment</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:					
Interest.....	\$ 748,725				\$ 748,725
Taxes .....	2,843,435				2,843,435
Accounts.....	295,801			\$ 285,263	581,064
Special assessments...			\$1,601,652		1,601,652
Intergovernmental .....	7,515,466	\$450,000		169,846	8,135,312
Loans .....				646,421	646,421
Pension contribution..				4,069	4,069
Gross receivables.....	11,403,427	450,000	1,601,652	1,105,599	14,560,678
Less: allowance for uncollectibles.....	(750,684)				(750,684)
Net total receivables .....	<u>\$10,652,743</u>	<u>\$450,000</u>	<u>\$1,601,652</u>	<u>\$1,105,599</u>	<u>\$13,809,994</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable.....	\$ 1,924,119	
Accrued interest .....	748,725	
Special assessments not yet due.....	1,744,930	
Grant drawdowns and unearned fees .....		\$ 402,003
School Building grants.....	7,044,689	
Housing loans .....	646,421	
Advance tax collections and over collections .....		1,403,246
Total deferred/unearned revenue for governmental funds .....	<u>\$12,108,884</u>	<u>\$1,805,249</u>

## 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Net Transfers</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land .....	\$ 7,164,837		\$ 1,587,132		\$ 8,751,969
Construction in progress .....	25,225,528	\$(75,000)	546,966		25,697,494
Total capital assets, not being depreciated.....	32,390,365	(75,000)	2,134,098		34,449,463
Capital assets, being depreciated:					
Buildings and improvements .....	71,014,203		118,030		71,132,233
Improvements other than buildings .....	828,299		53,816		882,115
Machinery and equipment .....	17,291,377	75,000	846,089	\$(160,747)	18,051,719
Infrastructure .....			105,231		105,231
Total capital assets being depreciated .....	89,133,879	75,000	1,123,166	(160,747)	90,171,298
Less accumulated depreciation for:					
Buildings and improvements .....	17,602,702		1,363,469		18,966,171
Improvements other than buildings .....	383,379		34,695		418,074
Machinery and equipment .....	8,177,745		1,044,569	(134,685)	9,087,629
Infrastructure .....			1,346		1,346
Total accumulated depreciation .....	26,163,826		2,444,079	(134,685)	28,473,220
Total capital assets, being depreciated, net .....	62,970,053	75,000	(1,320,913)	(26,062)	61,698,078
Governmental activities capital assets, net .....	<u>\$95,360,418</u>	<u>\$ - 0 -</u>	<u>\$ 813,185</u>	<u>\$ (26,062)</u>	<u>\$96,147,541</u>

The Town has not implemented the provisions of GASB Statement 34 which require reporting of infrastructure assets acquired prior to July 1, 2002.

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental activities:</b>	
General government .....	\$ 105,926
Public safety .....	405,598
Public works .....	507,552
Parks, recreation and libraries .....	57,357
Health and welfare .....	39,661
Education .....	<u>1,327,985</u>
Total depreciation expense - governmental activities .....	<u>\$2,444,079</u>



## Construction Commitments

The Town has active construction projects as of June 30, 2005. The projects include:

<u>Project</u>	<u>Appropriation</u>	<u>Cumulative Expenditures</u>	<u>Encumbrances</u>	<u>Available Balance</u>
Palmerwood Pump Station.....	\$2,115,000	\$239,710		\$1,875,290
Stony Creek Pier .....	\$400,000	\$400,100		\$(100)
Elementary School Renovation .....	\$12,819,000	\$12,819,000		
Clean Water Project.....	\$32,819,452	\$32,426,279		\$393,173
High School Renovations .....	\$26,577,000	\$26,554,022		\$22,978
1996/1997 Capital Projects.....	\$474,761	\$467,661		\$7,100
Trolley Trail.....	\$51,235	\$48,916		\$2,319
Sidewalk and Curb.....	\$777,600	\$755,841		\$21,759
Ambulance Fund.....	\$400,360	\$364,813		\$35,547
Fire Apparatus Fund .....	\$1,508,799	\$1,366,358		\$142,441
EPA Consent Decree .....	\$9,380,000	\$665,176	\$2,159,329	\$6,555,495
Structural Remediation Fund .....	\$150,000	\$148,009		\$1,991
Town Hall Renovation.....	\$3,615,000	\$3,513,559		\$101,441
School Roofs.....	\$500,000			\$500,000
Bender Property Acquisition .....	\$2,100,000	\$1,344,923		\$755,077
Tabor Drive Acquisition.....	\$2,500,000	\$1,718,912	\$3,465	\$777,623

## 7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Individual fund interfund receivable and payable balances at June 30, 2005, are as follows:

<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Amount</u>
Nonmajor Governmental Funds .....	General Fund .....	\$ 231,837
General Fund .....	Nonmajor Governmental Funds .....	130,384
General Fund .....	Internal Service Fund .....	15,695
Nonmajor Governmental Funds .....	Capital Project Fund.....	1,006
Capital Project Fund .....	General Fund .....	1,209,681
General Fund .....	Capital Project Fund .....	363,510
Sewer Assessment Fund .....	General Fund .....	106,738
<b>TOTAL .....</b>		<b><u>\$2,058,851</u></b>

All interfund receivables and payables are the result of regularly recurring transactions and represent temporary balances.

Interfund transfers:

	.....Transfer In.....			
	<u>General Fund</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Transfer out:				
General Fund.....		\$748,681	\$1,089,192	\$1,837,873
Capital Projects .....	\$7,138	104,710		111,848
Total transfers out.....	\$7,138	\$853,391	\$1,089,192	\$1,949,721

All transfers represent routine transactions that occur annually to move resources from one fund to another.

## 8. LONG-TERM DEBT

### Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable:					
General obligation bonds .	\$35,815,000		\$3,475,000	\$32,340,000	\$3,665,000
Clean water notes.....	20,451,870		961,136	19,490,734	980,537
Less deferred amounts:					
Refunding bonds .....	(655,588)		(87,184)	(568,404)	
Total bonds and notes payable .....	55,611,282		4,348,952	51,262,330	4,645,537
Landfill closure .....	1,567,500		382,500	1,185,000	118,700
Compensated absences.....	3,996,930		329,048	3,667,882	89,413
Risk management claims.....	1,164,774	\$ 100,742		1,265,516	857,217
Net pension obligation .....	62,767		62,767		
Capital leases.....	955,436		77,608	877,828	81,131
Termination benefits .....		1,208,380		1,208,380	402,793
Governmental activity long-term liabilities .....	\$63,358,689	\$1,309,122	\$5,200,875	\$59,466,936	\$6,194,791

A schedule of bonds and notes outstanding at June 30, 2005 is presented below:

	<b><u>Balance</u></b> <b><u>July 1, 2004</u></b>	<b><u>Issued</u></b>	<b><u>Retired</u></b>	<b><u>Balance</u></b> <b><u>June 30, 2005</u></b>
General Obligation:				
School, 4.0-5.0%, mature in 2008.....	\$ 1,812,500		\$ 496,000	\$ 1,316,500
School, 5.9-7.9%, mature in 2009.....	1,024,000		205,000	819,000
School, 4.5-6.25%, mature in 2017.....	3,150,000		750,000	2,400,000
School, 4.0-5.0%, mature in 2019.....	8,510,000		685,000	7,825,000
School, 2.0-4.1%, mature in 2015.....	7,695,000		75,000	7,620,000
Public improvement, 4.0-5.0%, mature in 2008.....	401,500		110,500	291,000
Public improvement, 5.9-7.9%, mature in 2009.....	595,000		120,000	475,000
Public improvement, 4.0-5.0%, mature in 2019.....	6,825,000		525,000	6,300,000
Public improvement sewer, 4.0-5.0%, mature in 2019.....	4,475,000		240,000	4,235,000
Special Assessment:				
Sewer, 4.0-5.0%, mature in 2008.....	119,000		32,500	86,500
Sewer, 5.9-7.9%, mature in 2009.....	881,000		175,000	706,000
Sewer, 4.5-6.25%, mature in 2017.....	20,000		20,000	
Water, 4.0-5.0%, mature in 2008.....	42,000		11,000	31,000
Water, 6.8-7.5%, mature in 2012.....	265,000		30,000	235,000
Total bonds .....	35,815,000		3,475,000	32,340,000
State of Connecticut, Water, 2%, mature in 2013.....	132,062		13,812	118,250
State of Connecticut, Water, 2%, mature in 2019.....	996,298		61,041	935,257
State of Connecticut, Water, 2%, mature in 2022.....	19,323,510		886,283	18,437,227
Total bonds and notes .....	<u>\$56,266,870</u>	<u>\$ - 0 -</u>	<u>\$4,436,136</u>	<u>\$51,830,734</u>

In prior years, the Town has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provided for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Town's financial statements. At June 30, 2005, \$15,850,000 of bonds outstanding are considered defeased.

The following is a summary of debt maturities for repayment of bonds and notes.

<b><u>Year Ending June 30,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2006 .....	\$ 4,645,536	\$ 1,857,855	\$ 6,503,391
2007 .....	4,515,327	1,668,734	6,184,061
2008 .....	4,810,518	1,486,543	6,297,061
2009 .....	4,241,117	1,290,210	5,531,327
2010 .....	3,762,131	1,118,341	4,880,472
2011-2015 .....	18,709,853	3,480,603	22,190,456
2016-2020 .....	8,366,107	847,268	9,213,375
2021-2023 .....	2,780,145	65,338	2,845,483
TOTAL .....	<u>\$51,830,734</u>	<u>\$11,814,892</u>	<u>\$63,645,626</u>

### **Clean Water Fund Notes**

The Town is currently participating in a Capital Project (Wastewater Design Fund) under the State of Connecticut Clean Water Fund established in accordance with Section 22a-477 of the General Statutes of Connecticut. The Clean Water Fund is administered by the State Department of Environmental Protection and provides grant and loan funds to municipalities for “eligible water quality project costs”.

### **General Obligation Bonds and Notes**

All bonds and notes are classified as general obligations of the Town.

### **Bonds Authorized Unissued**

The Town had bonds authorized unissued for various projects as follows:

<b><u>Project</u></b>	<b><u>Authorization</u></b>	<b><u>Bonds Previously Issued</u></b>	<b><u>Bonds Authorized Unissued</u></b>
EPA Consent	\$9,380,000	\$140,000	\$9,240,000
School Roofs	\$500,000		\$500,000
Bender Property	\$2,100,000		\$2,100,000
Tabor Drive	\$2,500,000		\$2,500,000

### **Bond Anticipation Notes**

On June 15, 2005, the Town issued \$3,605,000 of bond anticipation notes at 3% for the following projects: Bender Property \$1,000,000, Tabor Drive Land \$1,750,000 and EPA Consent Project \$855,000. The notes mature February 7, 2006. The liability is reported in the Capital Projects Fund.

The Town's indebtedness does not exceed the legal debt limitations as required by the Connecticut General Statutes as reflected in the following schedule:

<u>Category</u>	<u>Debt Limit</u>	(thousands) <u>Indebtedness*</u>	<u>Balance</u>
General purpose.....	\$151,063	\$11,666	\$139,397
Schools.....	\$302,126	\$12,936	\$289,190
Sewers.....	\$251,771	\$33,758	\$218,013
Urban renewal.....	\$218,202		\$218,202
Pension deficit .....	\$201,417		\$201,417

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation \$469,973.

\* Includes bonds authorized unissued (\$13,840) and excludes water bonds of \$266.

\*\* Total school indebtedness has been reduced by State of Connecticut Building Grants commitments of \$7,044.

## 9. RISK MANAGEMENT

The Town is exposed to various risks of loss related including torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town generally obtains commercial insurance for these risks, but, as of July 1, 2000, has chosen to retain the risks for workers' compensation claims. The Town's claims for risks covered by insurance have not exceeded covered losses during the past three years.

The Workers' Compensation Internal Service Fund is utilized to report the self-insurance activity. Webster Insurance administers the plan, for which the Town pays a fee. The Town's general government and the Board of Education, contribute based on estimates using historical data. The Town covers all claims up to \$250,000 per employee per year with a stop-loss policy covering amounts exceeding the limit.

The claims liability of \$961,506 reported in the Internal Service Fund at June 30, 2005 is based on the *Government Accounting Standards Board Statement No. 10*, which requires that a liability for estimated claims incurred but not reported be recorded. Changes in the claims liability were as follows for the last two years:

	<u>Liability</u>	<u>Current Year Claims</u>		<u>Liability</u>
	<u>July 1,</u>	<u>And Changes</u>	<u>Claim</u>	<u>June 30,</u>
		<u>In Estimates</u>	<u>Payments</u>	
2004-05 .....	\$810,411	\$866,146	\$715,051	\$961,506
2003-04 .....	\$430,788	\$969,959	\$590,336	\$810,411

The Heart and Hypertension Fund was established to account for the self insured activities of the Town related to heart and hypertension claims. The claims liability of \$304,010 at June 30, 2005 is based on the *Government Accounting Standards Board Statement #10*, which requires that a liability for estimated claims incurred but not reported be recorded. Changes in the claims liability are as follows:

	<b>Liability July 1,</b>	<b>Current Year Claims And Changes In Estimates</b>	<b>Claim Payments</b>	<b>Liability June 30,</b>
2004-05 .....	\$354,363	\$46,980	\$97,333	\$304,010
2003-04 .....	\$376,702	\$72,262	\$94,601	\$354,363

## 10. BULKY WASTE LANDFILL

The Town Landfill at the intersection of Tabor Drive and Marshall Road no longer accepts municipal solid waste, yet continues to accept bulky waste from the Town transfer station, and serves as a Department of Environmental Protection (DEP)-approved site for placement of soils with certain contaminants.

State and Federal laws and regulations require the Town of Branford to place final cover on the landfill, and each year the Town appropriates funds for the placement of final cover on completed sections. In the 2004/2005 fiscal year a major closure project was undertaken with the entire top, considered the “Inactive Portion” of the landfill, reaching Substantial Completion by July 15, 2005. To date, \$916,500 has been appropriated and approximately \$1,141,000 was expended with retainage still being held on the new, substantially completed work. Approximately 90% of the total area of the landform has had all layers of final cover applied.

The Town has signed a contract for a \$400,000 grant from the Department of Environmental Protection to cap the top of the landfill, the first \$254,500 of which has been reimbursed with more due from the recent work. It is anticipated that the placement of bulky waste will continue at the front of the landfill for the next two years, with closure costs incurred primarily in fiscal 07/08. Annual appropriations will be placed in a special revenue fund for the final cover for this front section when it no longer receives waste. Based upon engineer’s estimates, with a 20% escalator for recent fuel increases, it is anticipated that the final cover costs will total \$1,405,000, including funds already spent, but not including post-closure costs. The Town is required to monitor and maintain the landfill for thirty years after closure. The estimated annual cost for this postclosure activity is \$30,700. These costs will be funded through the General Fund on an annual basis. Regulatory changes or acceleration of the schedule for closure of the landfill may require additional appropriations for the accelerated completion of the installation of final cover.

A 77 acre parcel located north of the active landfill was purchased by the Town through eminent domain in 2004. It is believed to overlay a portion of, and possibly be impacted by, the leachate plume originating from the landfill. Since houses had been proposed by a developer on this site, the Town took the proactive stance of purchasing the property to preclude incompatible development, since control of the plume and of any off-site gas migration is required. Environmental investigations and mitigation have begun on this property, with funds for the project on this adjoining acreage provided by bond proceeds which are separately addressed here, but not totaled in past or future closure costs below. Environmental investigations on this large parcel are not confined to the area presumed to be impacted by the landfill, so only costs directly attributable to mitigation of landfill impacts are mentioned in this note. \$14,900 was spent in fiscal 04/05 on design of, and grant writing for, a pre-treatment basin and wetland for contaminated stormwater.

## Summary of Estimated Total Cost of Remaining Closure and Postclosure Care

Final Cover Cost (\$88,000 x 3 fiscal years) .....	\$ 264,000
Postclosure Care Costs (30 years):	
Inspection and maintenance of final cover (\$15,400 annually) .....	462,000
Monitoring Program, groundwater and Methane(\$12,600 annually) .....	<u>459,000</u>
 TOTAL .....	 <u>\$1,185,000</u>

## 11. JOINT VENTURES

### Bristol Resource Recovery Facility Operating Committee

The Town is a participant with thirteen (13) other cities and towns in a joint venture, the Bristol Resource Recovery Facility Operating Committee (BRRFOC). The BRRFOC was created pursuant to an Inter-Community Agreement to exercise certain rights on behalf of contracting municipalities in dealing with the waste to energy plant built by Ogden Martin Systems of Bristol, Inc. (now Covanta Bristol, Inc.) The governing board consists of Town officials appointed by each of the participating municipalities, and assumes all the management decisions. The Town of Branford has an obligation to appropriate funds in amounts necessary to fulfill its obligations created pursuant to the Intercommunity Agreement dated as of August 15, 1985. These obligations deal with guarantees to meet certain tonnage requirements. The Town expenditures to the BRRFOC amounted to \$944,980 this year. General Fund unreserved, undesignated fund balance for fiscal year ended June 30, 2005 as reflected in the BRRFOC's financial statements is \$12.5 million. A complete set of financial statements for BRRFOC can be obtained from the administrative office at 43 Enterprise Drive, Bristol, Connecticut.

In April 2005, the Committee issued \$41,920,000 Solid Waste Revenue Refunding Bonds (Covanta Bristol, Inc. Project – 2005 Series) (the “Bonds”) with interest rates varying from 3.00 percent to 5.00 percent. The proceeds of the Bonds, in addition to other funds made available as part of the transaction and the allowed investment earnings thereon, were used to current refund \$46,670,000 outstanding revenue bonds of the Committee, with an interest rate of 6.50 percent. The current refunding was undertaken to reduce total debt service costs over the period of fiscal 2005 through 2014 by approximately \$4,300,000. The refunding resulted in present value savings of approximately \$4,000,000.

In accordance with the bond indenture, the Committee has set aside with the Bond Trustee a Debt Service Reserve Fund (the “Fund”), which amount is to be available to meet future debt service obligations, if such obligations cannot be met with current available revenues of the Committee. At June 30, 2005, the market value of the investment in the Fund was \$4,389,633.

In addition to the pledge of revenues provided by the Committee to the Bondholders, the payments of principal and interest on the Bonds maturing on July 1, 2007, through July 1, 2014, are guaranteed by Ambac Assurance Corporation (“Ambac”). Pursuant to the indenture of trust the Committee transfers monthly, one-twelfth of the principal balance due in the subsequent year to the Trustee.

**12. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS**

**Police Employees Retirement Plan**

***A. Plan Description***

The Town of Branford is the administrator of a single-employer Public Employee Retirement System (PERS) established and administered by the Town to provide pension benefits for its police officers. The PERS is considered to be part of the Town’s financial reporting entity and is included in the Town’s financial reports as a Pension Trust Fund.

The Town provides police retirement benefits through a single employer, contributory, defined benefit plan. Under the plan, all regular members of the Police Department are eligible. Participants are 100% vested after five (5) years of service. The retirement benefit is calculated at 2% of the highest annual salary out of the last three (3) years immediately prior to retirement multiplied by up to 33 1/3 years of service. Police officers are required to contribute 6% of their base salaries to the PERS. The Plan provides for automatic post-retirement increases on Retiree Pensions up to a maximum of 66 2/3% of pay. If an employee leaves covered employment before five (5) years of service, accumulated employee contributions and related investment earnings are refunded. Benefits and contributions are established by the Town and may be amended only by the Representative Town Meeting.

At July 1, 2003, PERS membership consisted of:

Retirees, disabled and beneficiaries currently receiving benefits .....	30
Terminated employees entitled to benefits but not yet receiving them.....	2
Active Plan Members.....	<u>49</u>
 TOTAL .....	 <u><u>81</u></u>

***B. Summary of Significant Accounting Policies and Plan Asset Matters***

Basis of Accounting: PERS financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed.

Method Used to Value Investments: Investments are reported at fair value. Investment income is recognized as earned. Gains and losses on sales and exchange of investments are recognized on the transaction date. There are no investments in any organization that represent 5% or more of net assets available for benefits.

***C. Funding Status and Progress***

Police officers are required to contribute 6.0% of base pay to the PERS. The Town is required to contribute the amounts necessary to finance the coverage for its employees as determined by its actuaries; the contribution rate for the current year was 23.9% of covered payroll.



#### ***D. Annual Pension Cost and Net Pension Obligations***

The Town's annual pension cost and net pension obligation to the Town's Retirement System for the current year were as follows:

Annual required contribution .....	\$ 502,901
Interest on net pension obligation .....	5,021
Adjustment to annual required contribution .....	<u>(5,257)</u>
Annual pension cost .....	502,665
Contributions made .....	<u>675,000</u>
Increase (decrease) in net pension obligation .....	(172,335)
Net pension obligation beginning of year .....	<u>62,767</u>
Net pension obligation (asset) end of year .....	<u><u>\$(109,568)</u></u>

The following is a summary of certain significant actuarial assumptions and other PERS information:

Actuarial valuation date .....	July 1, 2003
Actuarial cost method .....	Projected Unit Credit
Amortization method .....	Level dollar
Remaining amortization period .....	28 years closed
Asset valuation method .....	4 years smoothed asset value
Actuarial assumptions:	
Investment rate of return .....	8.0%
Projected salary increases .....	5.0%
Assumed inflation rate .....	4.0%

#### ***E. Trend Information***

<b><u>Fiscal Year Ended</u></b>	<b><u>Annual Pension Cost (APC)</u></b>	<b><u>Percentage of APC Contributed</u></b>	<b><u>Net Pension Obligation (Asset)</u></b>	<b><u>Actual Contribution</u></b>
6/30/03	\$748,495	100.8%	\$1,341,191	\$754,273
6/30/04	\$486,576	362.0%	\$62,767	\$1,765,000
6/30/05	\$502,665	134.3%	\$(109,568)	\$675,000

## ***F. Pension Plan Required Supplementary Information***

### ***Schedule of Funding Progress***

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability(AAL) --Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (a-b)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll ((a-b)/c)</b>
7/01/99	\$8,336,451	\$11,542,336	\$(3,205,885)	72.2%	\$2,314,802	138.5%
7/01/01	\$9,550,035	\$13,326,943	\$(3,776,908)	71.7%	\$2,601,817	145.2%
7/01/03	\$9,593,076	\$12,551,982	\$(2,958,906)	76.4%	\$2,827,161	104.7%

### ***Schedule of Employer Contributions***

<b>Year Ended</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
6/30/99	\$755,000	101.9%
6/30/00	\$670,195	107.3%
6/30/01	\$642,000	102.8%
6/30/02	\$665,040	104.5%
6/30/03	\$751,507	100.0%
6/30/04	\$490,583	359.7%

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation is presented in Section D above.

## **Municipal Employees' Retirement System**

All Town of Branford full-time employees, except the Police Department employees, elected officials and certified teachers and administrators, participate in the Connecticut Municipal Employee's Retirement Fund B (MERF), a cost sharing multiple-employer public employee retirement system (PERS) established by the State of Connecticut and administered by the State Retirement Commission to provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to the employees and beneficiaries of participating municipalities. Chapter 113 Part II of the General Statutes of Connecticut, which can be amended by legislative action, establishes PERS benefits, member contribution rates, and other plan provisions. MERF is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106 or by calling 860-702-3480.

*Funding Policy* - Plan members are required by State Statute to contribute 2-1/4% of earnings upon which Social Security tax is paid plus 5% of earnings on which no Social Security tax is paid. Each participating municipality is required to contribute at an actuarially determined rate. The current rate is 5.2% of annual covered payroll. The contribution requirements of the Town are established and may be amended by the State Retirement Commission. The Town's contributions to MERF for the years ended June 30, 2005, 2004, and 2003 were \$681,892, \$504,235, and \$303,469, respectively, equal to the required contributions for each year.

## **Teacher Retirement**

All Town of Branford teachers participate in the State of Connecticut Teachers' Retirement System under Section 10.183 of the General Statutes of the State of Connecticut which has a multiple employer PERS. A teacher is eligible to receive a normal retirement benefit if he or she has:

- . Attained age sixty and has accumulated twenty years of credited service in the public schools of Connecticut, or;
- . attained any age and has accumulated thirty-five years of credited service, at least twenty-five years of which are service in the public schools of Connecticut.

The Board of Education withholds 7.25% of all teachers' annual salaries and transmits the funds to the State Teachers' Retirement Board. Teacher payroll subject to retirement amounted to \$17,450,830 or 45.8% of the total Town payroll of \$38,091,104.

The retirement system for teachers is funded by the State based upon the recommendation of the Teachers' Retirement Board. Such contribution includes amortization of actuarially computed unfunded liability. The Town does not have any liability for teacher pensions. For the year ended June 30, 2005 the Town has recorded in the General Fund, intergovernmental revenue and education expenditures in the amount of \$1,170,989 as payments made by the State of Connecticut on-behalf of the Town.

The State of Connecticut Teacher Retirement System is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106.

## **13. CONTINGENT LIABILITIES**

The Town of Branford is currently a defendant in a number of lawsuits. It is the opinion of Town officials and legal counsel that such pending litigation will not be finally determined so as to result individually or in the aggregate in a final judgement against the Town which would materially adversely affect its financial position.

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TOWN OF BRANFORD, CONNECTICUTGENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 FOR THE YEAR ENDED JUNE 30, 2005

	.....BUDGETED AMOUNTS.....			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
<b>Taxes:</b>				
Current taxes .....	\$63,532,602	\$63,532,602	\$64,251,087	\$ 718,485
Interest income .....	600,000	600,000	550,921	(49,079)
Lien fees .....	7,500	7,500	21,189	13,689
Suspense collections .....	7,500	7,500	15,147	7,647
Delinquent taxes .....	700,000	700,000	1,043,291	343,291
Attorney fees .....			3,716	3,716
<b>Total .....</b>	<b>64,847,602</b>	<b>64,847,602</b>	<b>65,885,351</b>	<b>1,037,749</b>
<b>Intergovernmental Revenues:</b>				
Education cost sharing .....	1,276,911	1,276,911	1,292,801	15,890
School transportation .....	169,373	169,373	199,091	29,718
Health and welfare .....			23,927	23,927
Principal subsidy .....	793,832	793,832	827,435	33,603
Interest subsidy .....	302,290	302,290	242,234	(60,056)
Adult education .....	16,318	16,318		(16,318)
Circuit breaker elderly .....	200,000	200,000	202,026	2,026
Elderly tax relief - freeze .....	20,000	20,000		(20,000)
Boat exemption .....	98,245	98,245	98,245	
Disability exemption .....	3,000	3,000	1,607	(1,393)
Veterans' reimbursement - State .....	70,000	70,000	23,354	(46,646)
Manufacturing PILOT grant .....	400,000	400,000	442,728	42,728
Pequot grant .....	111,377	111,377	106,845	(4,532)
Private property exemption .....	119,554	119,554	120,476	922
State property exemption .....	45,123	45,123	48,144	3,021
State counseling grants .....	132,000	132,000	119,804	(12,196)
Miscellaneous State grants .....			1,615	1,615
COPS Fast .....	43,750	43,750		(43,750)
<b>Total .....</b>	<b>3,801,773</b>	<b>3,801,773</b>	<b>3,750,332</b>	<b>(51,441)</b>
<b>Licenses, Permits and Fees:</b>				
Oil burner permits .....	100	100		(100)
Building permits .....	225,000	225,000	478,140	253,140
Excavation permits .....	6,000	6,000	7,380	1,380
Electrical permits .....	23,000	23,000	46,936	23,936
Plumbing permits .....	17,000	17,000	30,771	13,771
Heating, air conditioning and ventilation permits .....	21,000	21,000	53,444	32,444
Sewer connection permits .....	150	150	226	76
Other licenses and permits .....	700	700	480	(220)
Zoning Board of Appeals .....	7,500	7,500	7,265	(235)
Planning and Zoning .....	15,000	15,000	20,815	5,815

(Continued) - 1.

TOWN OF BRANFORD, CONNECTICUT  
 GENERAL FUND  
 SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), ETC.

.....BUDGETED AMOUNTS.....				VARIANCE
	ORIGINAL	FINAL	ACTUAL	FAVORABLE (UNFAVORABLE)
Licenses, Permits and Fees (continued):				
Map copies - building and engineering .....	\$ 2,000	\$ 2,000	\$ 1,722	\$ (278)
Inland wetlands applications .....	13,000	13,000	18,192	5,192
Transfer station escrow .....	104,900	104,900	264,303	159,403
Trip passes .....	2,300	2,300	3,383	1,083
Permits and tags - police .....	1,000	1,000	11,248	10,248
Special wages - police .....	400,000	400,000	337,627	(62,373)
False alarm fees .....	15,000	15,000	18,800	3,800
Waste treatment fees .....	210,000	210,000	297,400	87,400
North Branford sewer fees .....	200,000	200,000	337,008	137,008
Pump out services .....	3,600	3,600	3,239	(361)
Town Clerk other monies .....	260,000	260,000	369,786	109,786
Conveyance taxes .....	180,000	180,000	690,562	510,562
DEP licenses - Town portion .....	600	600	630	30
Marriage licenses - Town portion .....	2,200	2,200	2,607	407
Dog licenses .....	5,500	5,500	6,535	1,035
Ambulance service fees .....	725,000	725,000	927,020	202,020
Miscellaneous permits and fees - fire services .....			706	706
Counseling fees and services .....	400,000	400,000	386,720	(13,280)
Counseling - United Way Contribution .....	18,000	18,000	10,025	(7,975)
DEP Nutrient Credit .....	125,000	125,000	81,556	(43,444)
Total .....	2,983,550	2,983,550	4,414,526	1,430,976
Interest income .....	235,000	235,000	596,801	361,801
Other:				
Willoughby - Wallace Library fees .....	3,000	3,000	4,697	1,697
Employee health insurance co-pay .....	145,000	145,000	195,621	50,621
In lieu of taxes - telephone access .....	337,264	337,264	275,059	(62,205)
In lieu of taxes - SCRW .....	214,000	214,000	197,268	(16,732)
Leases .....	9,400	9,400	8,806	(594)
Telephone booths .....	500	500	221	(279)
Insurance claims and refunds .....	10,000	10,000	12,735	2,735
Miscellaneous refunds .....			11,713	11,713
Miscellaneous income .....	10,000	10,000	147,466	137,466
Sale of Town property .....	43,500	43,500	71,792	28,292
Reimbursement Town services .....	20,000	20,000	8,163	(11,837)
COBRA/dental reimbursement .....			133	133
Unliquidated encumbrances .....			237,008	237,008
Warden fees .....			8,902	8,902
Total other .....	792,664	792,664	1,179,584	386,920
Total revenues .....	72,660,589	72,660,589	75,826,594	3,166,005

(Continued) - 2.

TOWN OF BRANFORD, CONNECTICUT  
 GENERAL FUND  
 SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), ETC.

	.....BUDGETED AMOUNTS.....		VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	
Other financing sources:			
Transfers in .....		\$ 7,138	\$ 7,138
Total revenues and other financing sources. ....	<u>\$72,660,589</u>	<u>\$72,667,727</u>	75,833,732
			<u>\$3,166,005</u>
Budgetary revenues are different than GAAP revenues because:			
State of Connecticut "on-behalf" contributions to the Connecticut State Teachers' Retirement			
System for Town teachers are not budgeted .....			1,170,989
Cancelled encumbrances are not reported as revenue for financial reporting purposes .....			(237,008)
The Board of Education does not budget for certain intergovernmental grants which are credited			
against education expenditures for budgetary reporting. These amounts are recorded as revenues			
and expenditures for financial reporting purposes .....			<u>262,145</u>
Total revenues and other financing sources as reported on the statement of revenues, expenditures,			
and changes in fund balances - governmental funds - Exhibit IV .....			<u>\$77,029,858</u>

TOWN OF BRANFORD, CONNECTICUTGENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 FOR THE YEAR ENDED JUNE 30, 2005

	.....BUDGETED AMOUNTS.....			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
General government:				
Legislative .....	\$ 12,719	\$ 14,719	\$ 12,500	\$ 2,219
Executive .....	314,241	314,241	309,985	4,256
Finance .....	55,604	55,604	34,987	20,617
Treasurer .....	290,297	305,366	302,489	2,877
Assessor .....	358,714	375,857	345,098	30,759
Review of Assessments .....	15,755	16,445	14,986	1,459
Tax Collector .....	228,113	477,934	459,332	18,602
Town Clerk .....	177,190	190,871	176,134	14,737
Law .....	494,000	458,000	433,732	24,268
Labor Relations Negotiations .....	55,000	55,000	45,940	9,060
Probate Court .....	11,200	11,200	8,392	2,808
Elections .....	67,525	79,317	73,260	6,057
Planning and Zoning .....	219,744	224,044	213,789	10,255
Zoning Board of Appeals .....	8,026	8,026	6,925	1,101
Development Commission .....	4,325	4,325	4,323	2
Inland Wetlands Commission .....	61,918	62,981	62,813	168
General Government Buildings .....	718,602	734,230	720,708	13,522
Cable Television .....	1,925	2,283	1,968	315
Electronic Data Processing .....	501,922	503,617	500,000	3,617
Human Resources .....	212,910	213,258	210,389	2,869
Total.....	3,809,730	4,107,318	3,937,750	169,568
Public safety:				
Police Service .....	4,215,639	4,223,560	4,184,001	39,559
Police Service - special detail .....	425,000	425,000	306,807	118,193
Fire Protection .....	3,031,288	3,288,553	3,212,220	76,333
Building Department .....	77,225	117,225	82,206	35,019
Other protection - Dog Warden .....	102,078	102,078	95,545	6,533
Total.....	7,851,230	8,156,416	7,880,779	275,637
Public works and highways:				
Public Works .....	2,134,521	2,204,810	2,162,103	42,707
Water Pollution Control .....	1,929,956	1,866,026	1,847,598	18,428
Sanitation and Waste .....	2,658,088	2,677,585	2,490,550	187,035
General Engineering .....	163,245	172,009	170,254	1,755
Total.....	6,885,810	6,920,430	6,670,505	249,925

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(Continued) - 1.

TOWN OF BRANFORD, CONNECTICUT  
 GENERAL FUND  
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), ETC.

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.....BUDGETED AMOUNTS.....				VARIANCE
	ORIGINAL	FINAL	ACTUAL	FAVORABLE (UNFAVORABLE)
Recreation:				
Branford Recreation Department .....	\$ 743,508	\$ 743,508	\$ 736,781	\$ 6,727
Parker Park .....	58,777	58,777	54,265	4,512
Young's Park Commission .....	7,520	7,520	7,516	4
Docks and Recreational facilities .....	32,200	32,200	23,179	9,021
Public Celebration .....	24,999	24,999	24,777	222
Conservation Commission .....	6,100	6,100	5,878	222
Total.....	873,104	873,104	852,396	20,708
Libraries:				
James Blackstone Memorial Library .....	821,280	821,280	821,280	
Willoughby-Wallace Library .....	167,419	167,419	165,165	2,254
Total.....	988,699	988,699	986,445	2,254
Health and welfare:				
Human Services .....	955,248	955,248	924,459	30,789
Commission for the Elderly .....	318,728	318,728	311,038	7,690
East Shore District Health .....	160,859	160,859	160,359	500
Total.....	1,434,835	1,434,835	1,395,856	38,979
Board of Education .....	38,610,494	38,489,012	38,449,145	39,867
Pension and insurance:				
Pension and Contributions .....	1,993,730	2,031,230	1,950,790	80,440
Employee Group Insurance .....	2,857,354	2,965,496	2,728,572	236,924
Municipal insurance .....	1,348,000	1,348,000	1,248,666	99,334
Contingency .....	753,270	1,148		1,148
Total.....	6,952,354	6,345,874	5,928,028	417,846
Capital Projects .....	762,425	763,425	651,776	111,649
Debt service:				
Principal retirement .....	4,092,638	4,167,638	4,167,636	2
Interest and fiscal charges .....	2,056,878	2,007,516	2,004,562	2,954
Total.....	6,149,516	6,175,154	6,172,198	2,956
Total expenditures .....	74,318,197	74,254,267	72,924,878	1,329,389

(Continued) - 2.



TOWN OF BRANFORD, CONNECTICUT  
 GENERAL FUND  
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), ETC.

	.....BUDGETED AMOUNTS.....			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
Other financing uses:				
Transfers to other funds:				
Special Revenue Fund:				
Retiree Benefit Fund .....	\$ 150,000	\$ 850,000	\$ 850,000	
Open Space Fund .....	30,300	30,300	30,300	
Special Programs .....	50,000	50,000	50,000	
Revaluation Fund .....	158,892	158,892	158,892	
Capital Projects Fund:				
Fire Apparatus .....	119,000	119,000	119,000	
Sewer Reserve .....	275,000	338,930	338,930	
DPW Apparatus .....	4,200	4,200	4,200	
Capital Procurement .....		286,551	286,551	
Total other financing uses .....	787,392	1,837,873	1,837,873	
TOTAL .....	<u>\$75,105,589</u>	<u>\$76,092,140</u>	74,762,751	<u>\$1,329,389</u>
Budgetary expenditures are different than GAAP expenditures because:				
State of Connecticut "on-behalf" payments to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted .....			1,170,989	
Encumbrances for purchases and commitments ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year received for financial reporting purposes			431,001	
The Board of Education does not budget for certain intergovernmental grants which are credited against education expenditures for budgetary reporting. These amounts are recorded as revenues and expenditures for financial reporting purposes .....			<u>262,145</u>	
Total expenditures and other financing sources as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds - Exhibit IV .....			<u>\$76,626,886</u>	

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## APPENDIX B - OPINION OF BOND COUNSEL AND TAX EXEMPTION

*The following information has been prepared by Bond Counsel in connection with this bond issue. Bond Counsel are not passing upon and do not assume responsibility for the accuracy or completeness of the statements made in the Official Statement (other than matters in this Appendix), and they make no representation that they have independently verified the same.*

### BOND COUNSEL OPINION

The legal opinion of the firm of Day, Berry & Howard LLP of Hartford, Connecticut, Bond Counsel, will be furnished to the successful bidder when the Bonds are delivered, and a copy of the legal opinion will be included in the record of proceedings of the Town authorizing the Bonds. The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds to the successful bidder.

The opinion of Day, Berry & Howard LLP with respect to the Bonds will be substantially in the following form:

[FORM OF BOND COUNSEL OPINION]

(date of closing)

Town of Branford  
Branford, Connecticut

We have represented the Town of Branford, Connecticut as Bond Counsel in connection with the issuance by the Town of \$4,100,000 General Obligation Bonds, Issue of 2006, dated as of February 1, 2006.

We have examined a record of proceedings authorizing the Bonds, and based on our examination, we are of the opinion that the Town of Branford is authorized to issue the Bonds; the Town is duly and legally organized; all proper proceedings for the issuance and delivery of the Bonds have been taken; no limitation of indebtedness under the laws of the State of Connecticut has been exceeded in the issuance of the Bonds; the Bonds will be valid and binding general obligations of the Town when certified as provided thereon by a duly authorized official of U.S. Bank National Association; and the Town has the power to levy ad valorem taxes to pay the Bonds against all the taxable property in the Town without limit as to rate or amount except certified forest land taxable at a limited rate pursuant to Section 12-97 of the General Statutes of Connecticut, Revision of 1958, as amended, and dwelling houses of qualified elderly people of low income taxable at limited amounts pursuant to Section 12-129b of said General Statutes.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met in order that interest on the Bonds is excluded from gross income for Federal income tax purposes. The Town officials authorized to issue the Bonds have executed written representations and agreements on behalf of the Town relating to compliance with such provisions of the Code to ensure that the interest on the Bonds will be excluded from gross income for Federal income tax purposes. The representations and agreements also provide that the Bonds are designated or deemed designated as "qualified tax-exempt obligations" for purposes of the deduction for Federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

Based on such representations and agreements and on the record of proceedings authorizing the Bonds, and assuming the accuracy of such representations and compliance with such agreements, it is our opinion that, under existing statutes: (1) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; (2) the Bonds are not "private activity bonds" and interest on the Bonds is not treated as a preference item for purposes of calculating the Federal alternative minimum tax, but in the case of corporations a portion of such interest may be included in alternative minimum taxable income for purposes of computing any Federal alternative minimum tax; and (3) the Bonds are "qualified tax-exempt obligations" for purposes of the deduction for Federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

Based on the record of proceedings authorizing the Bonds, it is our opinion that, under existing statutes: (1) interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and (2) interest on the Bonds is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

Very truly yours,

Day, Berry & Howard LLP

## **FEDERAL INCOME TAX.**

***Interest Excluded From Gross Income.*** The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements that must be met in order that interest on the Bonds is excluded from the gross income of the owners thereof for Federal income tax purposes. Some of these requirements must be continuously met subsequent to delivery of the Bonds. Failure to comply with any of these requirements may cause the interest on the Bonds to be includable in gross income for Federal income tax purposes retroactively to the date of their issuance irrespective of the date on which such noncompliance occurs.

The Town officials authorized to issue the Bonds will enter into a Tax Compliance Agreement in connection with the delivery of the Bonds, which will contain certain representations and covenants on behalf of the Town relating to compliance with such requirements of the Code to ensure that the interest on the Bonds will be excluded from the gross income of the owners thereof for Federal income tax purposes.

***Alternative Minimum Tax.*** The Code imposes an alternative minimum tax on individuals and an alternative minimum tax on corporations. The alternative minimum tax is imposed on alternative minimum taxable income, which includes preference items. The interest on certain tax-exempt "private activity bonds" is treated as a preference item. The Town's Tax Compliance Agreement will contain certain representations and covenants to ensure that the Bonds are not "private activity bonds" so that interest on the Bonds will not be treated as a preference item for individuals or corporations in calculating alternative minimum taxable income.

The Code provides, however, that for most corporations 75% of the excess of adjusted current earnings (which includes tax-exempt interest) over other alternative minimum taxable income will be included in alternative minimum taxable income for purposes of calculating the corporation's alternative minimum tax.

***Financial Institutions.*** The Code provides that commercial banks, thrift institutions and certain other financial institutions may not deduct the portion of their interest expense allocable to tax-exempt obligations acquired after August 7, 1986, other than "qualified tax-exempt obligations". The Town's Tax Compliance Agreement will contain certain representations and covenants to ensure that the Bonds will be "qualified tax-exempt obligations" for purposes of the deduction for Federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

***Changes in Federal Tax Law.*** Legislation affecting municipal bonds is regularly under consideration by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the Bonds will not have an adverse effect on the tax-exempt status or market price of the Bonds.

## **ADDITIONAL FEDERAL INCOME TAX MATTERS.**

The following is a brief discussion of certain Federal income tax matters with respect to the Bonds under existing statutes. It does not purport to deal with all aspects of Federal taxation that may be relevant to a particular owner of the Bonds. Prospective owners of the Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Bonds.

As noted above, interest on the Bonds may be taken into account in computing the tax liability of corporations subject to the Federal alternative minimum tax imposed by Section 55 of the Code. Interest on the Bonds may also be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Ownership of the Bonds may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, and individuals otherwise eligible for the earned income credit, and to taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for Federal income tax purposes.

#### **STATE OF CONNECTICUT TAX ON INTEREST.**

The opinion of Bond Counsel will state in substance that, based on the record of proceedings authorizing the Bonds, under existing statutes: (1) interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and (2) interest on the Bonds is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

Interest on the Bonds is included in gross income for purposes of the Connecticut corporation business tax.

Owners of the Bonds should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the Bonds and the disposition thereof, including the extent to which gains and losses from the sale or exchange of Bonds held as capital assets reduce and increase, respectively, amounts taken into account in computing the Connecticut income tax on individuals, trusts and estates and may affect the net Connecticut minimum tax on such taxpayers who are also required to pay the Federal alternative minimum tax.

#### **ORIGINAL ISSUE DISCOUNT.**

The initial public offering price of certain of the Bonds may be less than the amount payable on the Bonds at maturity. The excess of the amount payable at maturity over the initial public offering price at which a substantial amount of such Bonds are sold constitutes original issue discount. Any prices set forth on the cover page of the Official Statement may or may not reflect the prices at which a substantial amount of the Bonds were ultimately sold to the public.

The discussion in this paragraph applies to those Bonds having original issue discount. Under Section 1288 of the Code, the amount of original issue discount treated as having accrued with respect to any such bond during each day it is owned by a taxpayer is added to the cost basis of such owner for purposes of determining gain or loss upon the sale or other disposition of such bond by such owner. Accrued original issue discount on a bond is excluded from gross income of the owners thereof for Federal income tax purposes. Accrued original issue discount on a bond is also excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. Original issue discount on any bond is treated as accruing on the basis of economic accrual for such purposes, computed by a constant semiannual compounding method using the yield to maturity on such bond. The original issue discount attributable to any bond for any particular semiannual period is equal to the excess of the product of (i) one-half of the yield to maturity of such bond and (ii) the amount which would be the adjusted basis of the bond at the beginning of such semiannual period if held by the original owner and purchased by such owner at the initial public offering price, over the interest payable on such bond during such period. The amount so treated as accruing during each semiannual period is apportioned in equal amounts among the days in that period to determine the amount of original issue discount accruing for such purposes during each such day. Owners of Bonds having original issue discount, and especially any owner who is not an original owner of a bond who bought the bond at its initial public offering price, should consult their tax advisors with respect to the Federal and state income tax consequences of the disposition of such Bonds.

#### **ORIGINAL ISSUE PREMIUM.**

The initial public offering price of certain of the Bonds may be greater than the amount payable on the Bonds at maturity. The excess of the initial public offering price at which a substantial amount of such Bonds are sold over the amount payable thereon at maturity constitutes original issue premium. Any prices set forth on the cover page of the Official Statement may or may not reflect the prices at which a substantial amount of the Bonds were ultimately sold to the public.

The discussion in this paragraph applies to those Bonds having original issue premium. Under Sections 1016 and 171 of the Code, the amount of original issue premium treated as having amortized with respect to any bond during each day it is owned by a taxpayer is subtracted from the cost basis of such owner for purposes of determining gain or loss upon the sale or other disposition of such bond by such owner. Original issue premium on any bond is treated as amortizing on the basis of the taxpayer's yield to maturity on such bond using the taxpayer's cost basis and a constant semiannual compounding method. As a consequence of the resulting cost basis reduction, under certain circumstances an owner of a bond acquired with original issue premium may realize a taxable gain upon disposition thereof even though it is sold or redeemed for an amount equal to or less than such owner's original cost of acquiring the bond. Amortized original issue premium on a bond is not allowed as a deduction from gross income for Federal income tax purposes. Amortized original issue premium on a bond also does not reduce Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and does not reduce amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. Owners of Bonds having original issue premium, and especially any owner who is not an original owner of a bond who bought the bond at its initial public offering price, should consult their tax advisors with respect to the Federal and state income tax consequences of the disposition of such Bonds.

\* \* \* \* \*

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Bonds may affect the tax status of interest on the Bonds. No assurance can be given that future Federal legislation enacted or proposed after the date of issuance of the Bonds will not have an adverse effect on the tax-exempt status or market price of the Bonds or will not change the effect of other Federal tax law consequences discussed above of owning and disposing of the Bonds. No assurance can be given that future legislation, or amendments to the State income tax law, if enacted into law, will not contain provisions which could, directly or indirectly, reduce the benefit of the exclusion of the interest on the Bonds or any gain made on the sale or exchange thereof from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates.

The information above does not purport to deal with all aspects of Federal or State taxation that may be relevant to particular investors. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal and state tax consequences of owning and disposing of the Bonds, including any tax consequences arising under the laws of any state or other taxing jurisdiction.

## APPENDIX C - FORM OF CONTINUING DISCLOSURE AGREEMENT FOR BONDS

*In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Town will agree, pursuant to a Continuing Disclosure Agreement for Bonds to be executed by the Town substantially in the following form, to provide, or cause to be provided, (i) annual financial information and operating data, (ii) timely notice of the occurrence of certain material events with respect to the Bonds and (iii) timely notice of a failure by the Town to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement for Bonds.*

### Continuing Disclosure Agreement for Bonds

This Continuing Disclosure Agreement for Bonds ("Agreement") is made as of February 7, 2006 by the Town of Branford, Connecticut (the "Issuer") acting by its undersigned officers, duly authorized, in connection with the issuance of \$4,100,000 General Obligation Bonds, Issue of 2006, dated as of February 1, 2006 (the "Bonds"), for the benefit of the beneficial owners from time to time of the Bonds.

**Section 1. Definitions.** For purposes of this Agreement, the following capitalized terms shall have the following meanings:

"Final Official Statement" means the official statement of the Issuer dated January 24, 2006 prepared in connection with the Bonds.

"MSRB" means the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto.

"NRMSIR" means any nationally recognized municipal securities information repository recognized by the SEC from time to time. As of the date of this Agreement the NRMSIRs are:

Bloomberg Municipal Repository  
100 Business Park Drive  
Skillman, NJ 08558  
Phone: (609) 279-3225  
Fax: (609) 279-5962  
[www.bloomberg.com/markets/muni\\_contactinfo.html](http://www.bloomberg.com/markets/muni_contactinfo.html)  
Email: [Munis@Bloomberg.com](mailto:Munis@Bloomberg.com)

DPC Data Inc.  
One Executive Drive  
Fort Lee, NJ 07024  
Phone: (201) 346-0701  
Fax: (201) 947-0107  
<http://www.dpcdata.com>  
Email: [nrmsir@dpcdata.com](mailto:nrmsir@dpcdata.com)

FT Interactive Data  
Attn: NRMSIR  
100 William Street  
New York, NY 10038  
Phone: (212) 771-6999  
Fax: (212) 771-7390  
<http://www.interactivedata.com>  
Email: [NRMSIR@FTID.com](mailto:NRMSIR@FTID.com)

Standard & Poor's Securities Evaluations, Inc.  
55 Water Street - 45th Floor  
New York, NY 10041  
Phone: (212) 438-4595  
Fax: (212) 438-3975  
[www.jjkenny.com/jjkenny/pser\\_descrip\\_data\\_rep.html](http://www.jjkenny.com/jjkenny/pser_descrip_data_rep.html)  
Email: [nrmsir\\_repository@sandp.com](mailto:nrmsir_repository@sandp.com)

"Rule" means Rule 15c2-12 under the Securities Exchange Act of 1934, as of the date of this Agreement.

"SEC" means the Securities and Exchange Commission of the United States, or any successor thereto.

"SID" means any state information depository established or designated by the State of Connecticut and recognized by the SEC from time to time. As of the date of this Agreement no SID has been established or designated by the State of Connecticut.

## **Section 2. Annual Financial Information.**

(a) The Issuer agrees to provide or cause to be provided to each NRMSIR and any SID, in accordance with the provisions of the Rule and of this Agreement, annual financial information and operating data (commencing with information and data for the fiscal year ending June 30, 2006 as follows:

(i) Financial statements of the Issuer's general fund, any special revenue, capital projects, sewer assessment, internal service and pension trust funds for the prior fiscal year, which statements shall be prepared in accordance with generally accepted accounting principles or mandated state statutory principles as in effect from time to time. As of the date of this Agreement, the Issuer prepares its financial statements in accordance with generally accepted accounting principles. The financial statements will be audited.

(ii) The following financial information and operating data to the extent not included in the financial statements described in (i) above:

- (A) amounts of the gross and the net taxable grand list applicable to the fiscal year,
  - (B) listing of the ten largest taxpayers on the applicable grand list, together with each such taxpayer's taxable valuation thereon,
  - (C) percentage of the annual property tax levy uncollected as of the close of the fiscal year,
  - (D) schedule of annual debt service on outstanding long-term bonded indebtedness as of the close of the fiscal year,
  - (E) calculation of net direct indebtedness, gross direct indebtedness and total net direct indebtedness as of the close of the fiscal year,
  - (F) gross direct indebtedness and net direct indebtedness of the Issuer per capita,
  - (G) ratios of the gross direct indebtedness and net direct indebtedness of the Issuer to the Issuer's net taxable grand list,
  - (H) statement of statutory debt limitation as of the close of the fiscal year, and
  - (I) funding status of the Issuer's pension benefit obligation

(b) The financial information and operating data described above will be provided on or before the date eight months after the close of the fiscal year for which such information is being provided. The Issuer's fiscal year currently ends on June 30.

(c) Annual financial information and operating data may be provided in whole or in part by cross-reference to other documents previously provided to each NRMSIR and any SID, or filed with the SEC. If the document to be referenced is a final official statement, it must be available from the MSRB. All or a portion of the financial information and operating data may be provided in the form of a comprehensive annual financial report.

(d) The Issuer reserves the right (i) to provide financial statements which are not audited if no longer required by law, (ii) to modify from time to time the format of the presentation of such information or data, and (iii) to modify the accounting principles it follows to the extent required by law, by changes in generally accepted accounting principles, or by changes in accounting principles adopted by the Issuer; provided that the Issuer agrees that any such modification will be done in a manner consistent with the Rule.

### **Section 3. Material Events.**

The Issuer agrees to provide or cause to be provided, in a timely manner, to (i) each NRMSIR or the MSRB and (ii) any SID, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (g) modifications to rights of holders of the Bonds;
- (h) Bond calls;
- (i) Bond defeasances;
- (j) release, substitution, or sale of property securing repayment of the Bonds; and
- (k) rating changes.

### **Section 4. Notice of Failure to Provide Annual Financial Information.**

The Issuer agrees to provide or cause to be provided, in a timely manner, to (i) each NRMSIR or the MSRB and (ii) any SID, notice of any failure by the Issuer to provide annual financial information as set forth in Section 2(a) hereof on or before the date set forth in Section 2(b) hereof.

### **Section 5. Use of Agents.**

Annual financial information and operating data and notices to be provided pursuant to this Agreement may be provided by the Issuer or by any agents which may be employed by the Issuer for such purpose from time to time.

### **Section 6. Termination.**

The obligations of the Issuer under this Agreement shall terminate upon the earlier of (i) payment or legal defeasance, at maturity or otherwise, of all of the Bonds, or (ii) such time as the Issuer ceases to be an obligated person with respect to the Bonds within the meaning of the Rule.

### **Section 7. Enforcement.**

The Issuer acknowledges that the undertakings set forth in this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Bonds. In the event the Issuer shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure within a reasonable time (but not exceeding 30 days with respect to the undertakings set forth in Section 2 of this Agreement or five business days with respect to the undertakings set forth in Sections 3 and 4 of this Agreement) from the time the Issuer's Director of Finance, or a successor, receives written notice from any beneficial owner of the Bonds of such failure. The present address of the Director of Finance is Town Hall, 1019 Main Street, P.O. Box 150, Branford, Connecticut 06405.



In the event the Issuer does not cure such failure within the time specified above, the beneficial owner of any Bonds shall be entitled only to the remedy of specific performance. The parties expressly acknowledge and agree that no monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Bonds.

**Section 8. Miscellaneous.**

(a) The Issuer shall have no obligation to provide any information, data or notices other than as set forth in this Agreement; provided, however, nothing in this Agreement shall be construed as prohibiting the Issuer from providing such additional information, data or notices from time to time as it deems appropriate in connection with the Bonds. If the Issuer elects to provide any such additional information, data or notices, the Issuer shall have no obligation under this Agreement to update or continue to provide further additional information, data or notices of the type so provided.

(b) This Agreement shall be governed by the laws of the State of Connecticut.

(c) Notwithstanding any other provision of this Agreement, the Issuer may amend this Agreement, and any provision of this Agreement may be waived, if such amendment or waiver is made in connection with a change of circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Issuer, and is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds, and (ii) the Agreement as so amended would have complied with the requirements of the Rule as of the date of the Agreement, taking into account any amendments or interpretations of the Rules as well as any changes in circumstances. A copy of any such amendment will be filed in a timely manner with (i) the NRMSIRs or the MSRB and (ii) any SID. The annual financial information provided on the first date following adoption of any such amendment will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating or financial information provided.

(d) Any filing under this Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council ("MAC") as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to MAC dated September 7, 2004.

TOWN OF BRANFORD

By \_\_\_\_\_  
Cheryl P. Morris, First Selectman

By \_\_\_\_\_  
Richard W. Sullivan, Selectman

By \_\_\_\_\_  
John E. Opie, Selectman

By \_\_\_\_\_  
Peter A. Banca, Treasurer

## APPENDIX D – NOTICE OF SALE

**NOTICE OF SALE**  
**\$4,100,000**  
**Town of Branford, Connecticut**  
**General Obligation Bonds**

SEALED PROPOSALS and ELECTRONIC BIDS via **PARITY®** will be received by the Town of Branford, Connecticut at the Office of the Director of Finance, 1019 Main Street, Branford Town Hall, Branford, Connecticut, until **11:00 A.M. (Eastern Standard Time) on TUESDAY,**

**JANUARY 24, 2006,**

for the purchase, when issued, at not less than par and accrued interest from the date of the Bonds to the date of delivery, of the whole of

**\$4,100,000 General Obligation Bonds, Issue of 2006**  
**Payable annually on February 1 as follows:**

**\$400,000 in 2007**  
**\$275,000 in 2008 through 2012**  
**\$375,000 in 2013 through 2016**  
**\$275,000 in 2017 through 2018**  
**\$125,000 in 2019**  
**\$75,000 in 2020 through 2021**

The Bonds will be dated February 1, 2006, with interest payable on August 1, 2006 and thereafter semiannually on each February first and August first.

**DTC Book Entry.** The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. The Bonds will be issued in registered form and one bond certificate for each maturity will be issued to The Depository Trust Company ("DTC"), New York, New York, registered in the name of its nominee, Cede & Co., and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the Bonds in principal amounts of \$5,000 or any integral multiple thereof, with transfers of ownership effected on the records of DTC and its Participants pursuant to rules and procedures adopted by DTC and its Participants. The purchaser, as a condition to delivery of the Bonds, will be required to deposit the bond certificates with DTC, registered in the name of Cede & Co. Principal of, redemption premium, if any, and interest on the Bonds will be payable by the Town or its agent to DTC or its nominee as registered owner of the Bonds. Principal, redemption premium, if any, and interest payments by DTC to Participants of DTC will be the responsibility of DTC; principal, redemption premium, if any, and interest payments to Beneficial Owners by Participants of DTC will be the responsibility of such Participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for payments by DTC to its Participants or by DTC Participants or Indirect Participants to Beneficial Owners or for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants.

In the event that (a) DTC determines not to continue to act as securities depository for the Bonds and the Town fails to identify another qualified securities depository to replace DTC, or (b) the Town determines to discontinue the book-entry system of evidence and transfer of ownership of the Bonds, the Town will authenticate and deliver replacement Bonds in the form of fully registered certificates. Any such replacement Bonds will provide that interest will be payable by check mailed by the Paying Agent to the registered owner whose name appears on the registration books of the Town as of the close of business on the record date preceding each interest payment date. The record dates will be the fifteenth day of July and January (or the preceding business day if such fifteenth day is not a business day).

**Redemption.** Bonds maturing after February 1, 2011 are subject to redemption prior to maturity, at the option of the Town, on or after February 1, 2011, at any time, either in whole or in part, in such amounts and in such order of maturity (but by lot within a maturity) as the Town may determine, following notice mailed by first class mail at least 30 days prior to the redemption date to the registered owners of the Bonds to be redeemed, at the following redemption price, expressed as a percentage of the principal amount, plus accrued interest to the date set for redemption:

Period During Which Redeemed (Both Dates Inclusive)	Redemption Price
February 1, 2011 and thereafter	100.00%

**Proposals.** Each proposal must specify the amount bid for the Bonds (which shall be the aggregate par value of the Bonds, and, at the option of the bidder, a premium, and must specify in a multiple of one-twentieth or one eighth of one percent the rate or rates of interest per annum which the Bonds are to bear, but shall not specify (a) more than one interest rate for any Bonds having a like maturity, or (b) any interest rate for any Bonds which exceeds the interest rate specified in such proposal for any other Bonds by more than two (2%) percentage points. In addition to the amount bid for the Bonds, the purchaser must pay an amount equal to the interest on the Bonds accrued to the date of delivery. For the purpose of the bidding process, the time as maintained on **PARITY®** shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost to the Town, as described under "Basis of Award" below, represented by the rate or rates of interest and the bid price specified in their respective bids.

**Sealed Proposals Bidding Procedure.** All sealed proposals for the purchase of Bonds shall be submitted on forms furnished by the Town and submitted at the time and place indicated above. All proposals must be enclosed in sealed envelopes marked on the outside, in substance, "Proposal for Branford Bonds." All proposals should be addressed to Ms. Cheryl P. Morris, First Selectman,, Town of Branford, c/o Office of the Director of Finance, Branford Town Hall, 1019 Main Street, Branford, Connecticut 06357.

**Electronic Proposals Bidding Procedure.** Electronic bids for the purchase of the Bonds must be submitted through the facilities of **PARITY®** until **11:00 A.M. (Eastern Standard Time) on TUESDAY, JANUARY 24, 2006**. Any prospective bidder must be a subscriber of Dalcomp's Bidcomp competitive bidding system. Further information about **PARITY®**, including any fee charged, may be obtained from **PARITY®**, 1359 Broadway, 2nd Floor, New York, New York 10018, Attention: Customer Service Department (telephone: (212) 849-5021 - email notice: [parity@i-deal.com](mailto:parity@i-deal.com)). The Town neither will confirm any subscription nor be responsible for any failure of a prospective bidder to subscribe.

Once an electronic bid made through the facilities of **PARITY®** is communicated to the Town, it shall constitute an irrevocable offer, in response to this Notice, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the Town. By submitting a bid for the Bonds via **PARITY®**, the bidder represents and warrants to the Town that such bidder's bid for the purchase of the Bonds is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder by an irrevocable offer and that acceptance of such bid by the Town will bind the bidder by a legal, valid and enforceable contract, for the purchase of the Bonds on the terms described in this Notice. **The Town shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of PARITY®, the use of such facilities being the sole risk of the prospective bidder.**

**Disclaimer** - Each **PARITY®** prospective electronic bidder shall be solely responsible to make necessary arrangements to access **PARITY®** for the purposes of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the Town nor **PARITY®** shall have any duty or obligation to undertake such arrangements to bid for any prospective bidder or to provide or assure such access to any prospective bidder, and neither the Town nor **PARITY®** shall be responsible for a bidder's failure to make a bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, **PARITY®**. The Town is using **PARITY®** as a communication mechanism, and not as the Town's agent, to conduct the electronic bidding for the Bonds. The Town is not bound by any advice and determination of **PARITY®** to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the bid requirements herein set forth. All costs and expenses incurred by prospective bidders in connection with their subscription to, arrangements with and submission of bids via **PARITY®** are the sole responsibility of the bidders; and the Town is not responsible, directly or indirectly, for any such costs or expenses. If a prospective bidder encounters any difficulty in arranging to bid or submitting, modifying or withdrawing a bid for the Bonds, the prospective bidder should telephone **PARITY®** at (212) 849-5021. If any provision of this Notice shall conflict with information provided by **PARITY®**, this Notice of Sale shall control.

For the purpose of the electronic bidding process, the time as maintained on **PARITY®** shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost to the Town, as described under "Basis of Award" below, represented by the rate or rates of interest and the bid price specified in their respective bids. All electronic bids shall be deemed to incorporate the provisions of this Notice and the form of Proposal for Bonds.

**Basis of Award.** As between proposals which comply with this Notice, the Bonds will be sold to the responsible bidder offering to purchase the Bonds at the lowest true interest cost to the Town. For the purpose of determining the successful bidder, the true interest cost to the Town will be the annual interest rate, compounded semiannually, which, when used to discount all payments of principal and interest payable on the Bonds to February 1, 2006, the date of the Bonds, results in an amount equal to the purchase price for the Bonds, excluding interest accrued to the date of delivery. If there is more than one responsible bidder making said offer at the same lowest true interest cost, the Bonds will be sold to the responsible bidder whose proposal is selected by the Town by lot from among all such proposals. It is requested that each proposal be accompanied by a statement of the percentage of true interest cost completed to four decimal places. Such statement shall not be considered as part of the proposal.

The right is reserved to reject any and all proposals and to reject any proposal not complying with this Notice of Sale and to waive any irregularity or informality with respect to any proposal.

The Town further reserves the right to postpone the sale to another time and date in its sole discretion for any reason, including internet difficulties. The Town will use its best efforts to notify prospective bidders in a timely manner of any need for a postponement. If the sale is postponed, an alternative bid date will be published on Bloomberg at least 48 hours prior to such alternative bid date. Upon the establishment of an alternative bid date, any bidder may submit proposals for the purchase of the Bonds in accordance with the provisions of this Notice of Sale.

**Certifying and Paying Agent.** The Bonds will be authenticated by U.S. Bank National Association, Hartford, Connecticut. U.S. Bank National Association will act as Registrar and Paying Agent.

**Delivery.** At or prior to the delivery of the Bonds the successful bidder shall be furnished, without cost, with (a) the approving opinion of Day, Berry & Howard LLP of Hartford, Connecticut, Bond Counsel, substantially in the form set out in Appendix B to the Official Statement; (b) a signature and no litigation certificate, in form satisfactory to said firm, dated as of the date of delivery of the Bonds, and stating that there is no litigation pending, or to the knowledge of the signer or signers thereof threatened, affecting the validity of the Bonds or the power of the Town to levy and collect taxes to pay them; (c) a signed copy of the Official Statement prepared for this bond issue; (d) a certificate of Town Officials relating to the accuracy and completeness of the Official Statement; (e) a Continuing Disclosure Agreement; and (f) a receipt of payment for the Bonds. U.S. Bank National Association will keep the original opinion and certificates and copies of the supporting documents, which may be examined at its principal office in Hartford, Connecticut, upon reasonable notice.

**Bond Counsel Opinion.** The opinion of Bond Counsel will cover the following matters: (1) that the Bonds will be valid general obligations of the Town when duly certified; (2) that, assuming the accuracy of and compliance by the Town with its representations and covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended, under existing statutes, interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; the Bonds are not "private activity bonds" and interest on the Bonds is not treated as a preference item for purposes of calculating the Federal alternative minimum tax, but in the case of corporations a portion of such interest may be included in alternative minimum taxable income for purposes of computing any Federal alternative minimum tax; and the Bonds are "qualified tax exempt obligations"; and (3) that, under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the Bonds is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

**Official Statement.** The Town of Branford has prepared an Official Statement for the Bond issue which is dated January 10, 2006. The Town deems such Official Statement final as of its date for purposes of SEC Rule 15c2-12(b)(1), but it is subject to revision or amendment. The Town will make available to the winning purchaser 100 copies of the Official Statement as prepared by the Town at the Town's expense. The copies of the Official Statement will be made available to the winning purchaser at the office of the Town's financial advisor, Independent Bond and Investment Consultants LLC, Madison, CT, by the delivery of the Bonds or by the seventh business day after the day bids on the Bonds are received if earlier. If the Town's financial advisor is provided with the necessary information from the winning purchaser by noon of the day following the day bids on the Bonds are received, the copies of the Official Statement will include an additional cover page and other pages indicating the interest rates, ratings, yields or reoffering prices, the name of the managing underwriter, the name of the insurer, if any, on the Bonds and any corrections. The purchaser shall arrange with the financial advisor the method of delivery of the copies of the Official Statement to the purchaser. Additional copies of the Official Statement may be obtained by the purchaser at its own expense by arrangement with the printer.

**Continuing Disclosure Agreement.** The Town will enter into a Continuing Disclosure Agreement with respect to the Bonds, substantially in the form attached as Appendix C to the Official Statement (the "Continuing Disclosure Agreement for Bonds"), to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2 12, (i) annual financial information and operating data, (ii) timely notice of the occurrence of certain material events with respect to the Bonds, and (iii) timely notice of a failure by the Town to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement for Bonds. The winning bidder's obligation to purchase the Bonds shall be conditioned upon its receiving, at or prior to the delivery of the Bonds, an executed copy of the Continuing Disclosure Agreement for Bonds.

**CUSIP Numbers.** The deposit of the Bonds with DTC under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It is anticipated that the Town will apply for CUSIP numbers for the Bonds prior to delivery. Neither the failure to print such CUSIP number on any bond, nor any error with respect thereto, shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid for by the Town; provided, however, that the Town assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid for by the purchaser.

**Reoffering Prices.** IT SHALL BE THE RESPONSIBILITY OF THE PURCHASER TO FURNISH TO THE TOWN IN WRITING BEFORE THE DELIVERY OF THE BONDS THE REOFFERING PRICES AT WHICH A SUBSTANTIAL PORTION OF EACH MATURITY OF THE BONDS WERE SOLD.

**Delivery Date and Payment.** It is expected that the closing on the Bonds will occur on or about February 7, 2006 through the facilities of the Depository Trust Company, New York, New York, against payment in immediately available Federal funds.

**More Information.** For more information regarding this issue and the Town reference is made to the Official Statement. Proposal forms and copies of the Official Statement may be obtained from Mr. Mark Chapman, Independent Bond and Investment Consultants LLC, 129 Samson Rock Drive, Suite A, Madison, CT 06443 (telephone: (203) 245-7264) or from Mr. James P. Finch, Director of Finance, Branford Town Hall, P.O. Box 150, 1019 Main Street, Branford, Connecticut 06405 (telephone: (203) 315-0663).

CHERYL P. MORRIS,  
*First Selectman*

RICHARD W. SULLIVAN,  
*Selectman*

JOHN E. OPIE,  
*Selectman*

PETER A. BANCA,  
*Treasurer*

January 10, 2006

# PROPOSAL FOR BONDS

January 24, 2006

Ms. Cheryl P. Morris  
First Selectman  
c/o the Office of the Director of Finance  
Branford Town Hall  
1019 Main Street  
Branford, CT 06357

Subject to the provisions and in accordance with the terms of the annexed Notice of Sale dated January 10, 2006 which is hereby made a part of this proposal, we hereby offer to purchase all of the aggregate principal amount of \$4,100,000 General Obligation Bonds, Issue of 2006, of the Town of Branford described in said Notice of Sale, and to pay therefor the price of par plus a premium of \$\_\_\_\_\_ plus interest accrued on said Bonds to the date of their delivery, provided that the Bonds maturing in the several years set forth below shall bear interest from their date until maturity at the respective rates per annum stated in the following table:

<u>Year of</u> <u>Maturity</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Year of</u> <u>Maturity</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>
2007	\$400,000	_____%	2015	\$375,000	_____%
2008	\$275,000	_____%	2016	\$375,000	_____%
2009	\$275,000	_____%	2017	\$275,000	_____%
2010	\$275,000	_____%	2018	\$275,000	_____%
2011	\$275,000	_____%	2019	\$125,000	_____%
2012	\$275,000	_____%	2020	\$75,000	_____%
2013	\$375,000	_____%	2021	\$75,000	_____%
2014	\$375,000	_____%			

We acknowledge receipt of the Official Statement referred to in the Notice of Sale.

Name of Bidder: \_\_\_\_\_

Address of Bidder: \_\_\_\_\_

Signature of Officer or  
Authorized Agent of Bidder: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

The following is our computation of the percentage of true interest cost, made as provided in the above mentioned Notice of Sale, and certain other information, which is not part of the foregoing proposal.

Percent of True Interest Cost	_____ % (four decimals)
Gross Interest	\$ _____
Accrued Interest from February 1, 2006 to February 7, 2006	\$ _____
Premium	\$ _____